



Office of the City Manager

ACTION ITEM
February 23, 2023

To: Budget and Finance Policy Committee
From: Dee Williams-Ridley, City Manager
Submitted by: Sharon Friedrichsen, Budget Manager
Subject: Unfunded Liability Obligations and Unfunded Infrastructure Needs

RECOMMENDATION

Receive a report on the City's Unfunded Liability Obligations and Unfunded Infrastructure Needs, including pension and other post-employment benefits; discuss strategies to address unfunded liabilities, including funding recommendations for the Section 115 Pension Trust; and provide direction to staff.

INTRODUCTION

On May 29, 2012, the City Council adopted Resolution No. 65,748 N.S. "Requiring that the City Manager Develop and Publish a Biennial Report of Current City Liabilities and Projections of Future Liabilities. The purpose of this report is to provide a thorough overview of the City's long-term expenditure obligations in a format that is easily understandable in a single report.

This report includes the following information set forth in that Resolution:

1. Employee and retiree benefit costs over a 10-year horizon
2. Costs for current active employees including:
 - a. total payroll costs for active employees during the current year;
 - b. projected payroll costs for the same number of employees for the next 10-year period with costs increases based on MOU's with bargaining units.
3. A summary of all current City obligations including:
 - a. general obligation bonds;
 - b. revenue bonds.
4. Summary of all capital assets and infrastructure including:
 - a. Appraisal of Public Buildings valued at \$5 million or more

- b. Condition of Streets and Roads using the “Street Saver” information projecting costs to bring streets and roads condition to an average Pavement Condition Index (PCI) of 75 within 5 years.
- c. Sewers: updated asset management plan for public sewers including projected costs for succeeding 5 years and projected revenue from sewer fees for the succeeding 5 years.

This report is required to be published every two years, in the second year of the biennial budget, in advance of the Council’s consideration of the upcoming biennial budget. Instead of preparing a two-year budget for FY 2022 & FY 2023, the City prepared a one-year budget for FY 2022 and subsequently prepared a two-year budget for FY 2023 & FY 2024. Therefore, this report is now being presented in the first year of the biennial budget in order to maintain the requirement of the report being published every two years.

The projections in this report were developed by staff in the City Manager’s Budget Office and the Finance Department, with the assistance of several financial advisors including the City’s sales tax consultant and actuaries. Revenues are, of course, sensitive to normal business cycles as well as unanticipated economic volatility. Thus, it is important that the City continue its fiscally prudent planning to balance expenditures against projected revenues while addressing employee compensation as well as historically underfunded infrastructure needs.

SUMMARY

The following is a summary of key points that will be explained in detail in this report:

- Due to projected increases in personnel expenses, the City currently projects a General Fund structural deficit in FY 2024 through FY 2026.
- The City has a significant pension liability that is anticipated to grow due to recent financial losses experienced by CalPERS. Also, of note, the City’s pension contributions for all City employees are anticipated to increase more than \$32 million over the next ten years putting a strain on resources and services.
- The City’s retiree health plans are significantly underfunded with the funded status of the City’s plans ranging from a low of 6.93% to a high of 51.22%.
- Due to the age of the City’s infrastructure and limited resources allocated to infrastructure, the City’s unfunded needs tied to infrastructure have increased over the years and is anticipated to range around \$2.23 billion from FY 2024 to FY 2028.
- Despite the recent adoption of Measure T1 and Measure O, the City has an aggregate bond tax rate for FY 2023 of 0.0623% (which represents \$62.30 for each \$100,000 in assessed value (“A.V.”), which is below the historical peak of approximately \$95 (per \$100,000 in A.V) in tax year 1999-2000.

CURRENT SITUATION AND ITS EFFECTS

1. Employee and Retiree Benefit costs over a 10-year horizon

a. CalPERS Retirement Benefits

The City provides retirement benefits for employees through its participation in the California Public Employees' Retirement System (CalPERS). This is a defined benefit pension plan funded by a combination of employee contributions that are set by statute and employer contributions that fluctuate from year to year based on an annual actuarial valuation performed by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Benefits are based on years of credit service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits.

On January 1, 2013, the Public Employee Pension Reform Act (PEPRA) went into effect. The State law applies to employees hired after January 1, 2013, who are new to CalPERS. These employees are termed PEPRA members and employees that were enrolled in CalPERS (without significant separation) prior to January 1, 2013, are now referred to as "classic" members.¹

The City contributes to three plans in the CalPERS system: Police Safety Plan, Fire Safety Plan, and Miscellaneous Employee Plan. Each plan has a different rate for the City's annual employer contribution which is generally based on the demographics of the plan participants and the value of investment returns of the City's assets in the CalPERS system. In addition, employees' contributions vary by plan based on negotiated Memorandum of Understandings (MOU).

In 2013, the CalPERS Board voted to change the actuarial model for the pension plans along with certain actuarial assumptions upon which rates are based. First, the model anticipated that the plans would be 100 percent funded in a fixed 30-year time period. Second, the time period to "smooth out" the impacts of CalPERS' investment losses due to the recession was reduced from 15 years to 5 years. Finally, the rates were structured in such a way that the first five years were considered to be a "ramp up" period to improve the plans funded percentage. That meant that FY 2016, 2017, 2018, 2019, and 2020 were expected to have higher rates, and the years following were projected to plateau for some time before decreasing in the last five years of the 30-year funding period.

¹ PEPRA miscellaneous members are enrolled in a 2% at 62 plan and PEPRA safety members (Fire and Police) are enrolled in a 2.7% at 57 plan. PEPRA members are required to pay half the normal cost of their plans.

In February 2014, the CalPERS Board voted to retain its current long-term assumed rate of return of 7.5 percent but adopted new mortality assumptions due to the fact that retirees are living longer. As a result of the new assumptions, the cost of employer contributions increased, again.

In December 2016, the CalPERS Board lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase in beginning with the June 30, 2016, actuarial valuation. The employer contribution for FY 2020 was calculated using a discount rate of 7.25 percent. CalPERS reduced the return rate to 7.25 percent in July 2018, with a further reduction to 7.0 percent. CalPERS lowered the discount rate because they determined that achieving a 7.5 percent rate of return was now far less likely. The result of this lowered discount rate is that liabilities have grown and the City's pension contributions have significantly increased.

Changes to the Unfunded Actuarial Liability (UAL) due to actuarial gains or losses, as well as changes in actuarial assumptions or methods, are amortized using a 5-year ramp up. This method phases in the impact of changes in UAL over a 5-year period and attempts to minimize employer cost volatility from year to year. As a result, however, required contributions can change gradually, but significantly, over the next five years.

Effective with the June 30, 2019, actuarial valuation, the CalPERS Board adopted a new amortization policy that shortens the period over which actuarial gains or losses are amortized from 30 years to 20 years with the payments computed using a level dollar amount. In addition, the new policy removes the 5-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains or losses. These changes will apply only to new UAL bases established on or after June 30, 2019.

In July 2021, high investment returns triggered an automatic discount rate reduction from 7 percent to 6.8 percent. This automatic reduction was the result of the Funding Risk Mitigation Policy put in place by the CalPERS Board of Directors in 2015, which was designed to lower the discount rate in years of extraordinary investment returns to reduce future funding risk over time.

For FY 2022, CalPERS announced a -6.1 percent net return on investments. This is obviously below CalPERS assumed 6.8 percent discount rate. As a result, the City's pension contributions will likely increase for miscellaneous employees plan by 2-4 percent and safety members by 4-6 percent for fiscal year 2024-25.

With respect to future liabilities for the costs of these plans, the City has regularly retained an outside actuary to review the CalPERS' estimates and provide independent actuary estimates that the City can use in budget planning. The chart below provides CalPERS payment amounts for FY 2023 and FY 2024 as provided to the city by CalPERS. The outside actuary provided estimated payment amounts for FY 2025 through FY 2034.

Future Payments to California Public Employees Retirement System All Plans (dollars in millions)												
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Misc.	41.64	40.57	43.51	44.21	47.10	49.53	54.80	57.35	59.69	59.15	61.00	61.18
Police	20.04	20.32	21.47	22.43	23.59	24.71	26.74	27.94	28.96	29.52	30.19	30.32
Fire	10.58	10.24	10.97	11.54	12.24	12.89	14.27	14.96	15.57	15.80	16.24	16.28
Total	72.26	71.13	75.95	78.18	82.93	87.13	95.81	100.25	104.22	104.47	107.43	107.78
FY 2023 and FY 2024 are based on amounts provided by CalPERS.												
FY 2025 through FY 2034 amounts are based on actuary's projections.												
Rates used reflect current MOU agreements: Miscellaneous includes the 8% employee share paid by the City on behalf of the employee as well as the negotiated employee's contribution to the employer rate.												

There are a couple of important points about the chart. The first is that over the next 10 years there is close to an estimated \$32 million dollar increase in pension costs to the City from FY 2025 to FY 2034. The next point is that regardless of the City's financial position the payments will have to be made to CalPERS. This financial challenge will require us to be fiscally prudent over this period of time.

The changes made by CalPERS in the last few years are planned to achieve 100% funding for all plans within a 30-year time period. This means that there will be sufficient funds held in each plan to pay obligations for all inactive participants (including retirees) and benefits as a result of prior service for actives.

The funded status of a pension plan is defined as the ratio of assets to a plan's accrued liabilities. Based on the CalPERS' actuarial valuations as of June 30, 2021, the City's plans are currently funded as follows: Miscellaneous 80.1%; Police Safety 68.7%; and Fire Safety 80.9%.

California Public Employees Retirement System Funded Status						
Fund Name	Valuation Date	Actuarial Source	Estimated Liability	Plan Assets	Unfunded Liability	% Funded
Miscellaneous	6/30/2021	CalPERS	\$ 1,181.2	\$ 946.3	\$ 234.90	80.1%
Police	6/30/2021	CalPERS	\$ 483.8	\$ 332.5	\$ 151.30	68.7%
Fire	6/30/2021	CalPERS	\$ 306.7	\$ 248.1	\$ 58.60	80.9%

On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund ("Trust"). The Trust can act as a rate stabilization fund and can be used to ease budgetary pressures resulting from unanticipated spikes in employer contribution rates. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the Trust.

The Trust currently has a balance of \$14,762,850.42 as of June 30, 2022 and receives funding through transfer from the General Fund and Capital Improvement Fund and savings from annually prepaying the City's CalPERS payment. In addition, the City Council adopted a new fiscal policy on June 30, 2022 to allocate 1/3 of additional revenue earned from investments that is over the annual (fiscal year) baseline of \$6 million to the Section 115 Pension Trust.

b. Retiree Medical Plans

The City provides post-retirement health insurance benefits in accordance with the Memoranda Agreements between the City and the various collective bargaining units (and to unrepresented employees via Council adopted resolutions). The City has individual trusts for each bargaining unit that fund the medical plans, as well as the closed plan for Police that provides a cash benefit. In 2012 the City and the Berkeley Police Association agreed to a new Retiree Medical plan that provides health insurance premium payments, rather than the pre-existing cash payments, to retirees. The original plan is now a "closed" plan meaning that employees who retire after September 2012 will receive benefits from the new plan. However, the original plan must still make benefit payments to existing retirees and thus must continue to be funded until those payment obligations cease.

The City obtains actuarial reports for each of these plans at least every two years and the City is responsible for investing the assets in these plans. The results of that investment activity are provided to the City Council in the regular Investment Report.

In some cases, the City's actual contribution to each plan on an annual basis is based on the actuarially established "Annual Required Contribution" or as a percent of payroll. However, some of the plans are funded on a "pay-as-you-go" basis. Funding on a pay-as-you-go basis is sufficient to cover the annual benefit payments made from the plan assets but impacts the ability to achieve the long-term funding targets.

On April 24, 2017, the City actuary presented various options that would reduce the City's unfunded liabilities tied to post-employee benefits to meet the long-term funding targets. Recommended for Council's consideration were fully prefunding annual actuarially determined contributions, investment reallocations to increase returns, and establishing an irrevocable supplemental trust. Council has already acted on some of these recommendations.

The following retiree medical plans are discussed in detailed below:

- Police Retiree Income Benefit Plan (closed plan)
- Police Retiree Health Premium Assistance Plan
- Fire Employees Retiree Health Plan
- Retiree Health Premium Assistance Plan (Non-safety Members)

Police Retiree Income Benefit Plan (closed plan)

The City provides a Retiree Income Benefit Plan for prior Police retirees. To be eligible for benefits, Police employees must retire from the City on or after July 1, 1989 and before September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50 or with a disability benefit. Benefits commence 10 years after retirement for retirements before July 6, 1997, 5 years after retirement for retirements before July 1, 2007, and 2 years after retirement for retirements on or after July 1, 2007.

Benefits are payable for the retiree's lifetime and continue for the life of the surviving spouse. For employees retiring before September 19, 2012, the City pays a monthly income benefit equal to the City's Active 2-party Kaiser premium regardless of marital status. In 2022, the City's monthly payment per participant for this benefit ranged from \$457.35 to \$1,829.38, depending on the retirees' years of service at retirement. The monthly benefit is pro-rated based on years of service.

As of June 30, 2022, the most recent actuarial valuation date, the plan was 7.14% funded. The actuarial accrued liability for benefits in this plan was \$64.81 million, and the actuarial value of assets was \$4.63 million, resulting in an unfunded accrued liability of \$60.18 million. Since the implementation of GASB 67 and 68, the Annual Required Contribution (ARC) is no longer provided. In addition, the Police Retiree Income Benefit Plan is a closed plan and therefore no "Actuarially Determined Contribution" is provided due to no new members and no payroll information.

Police Retiree Health Premium Assistance Plan

Effective September 19, 2012, the City replaced the "Berkeley Police Retirement Income Benefit Plan" with the "Retiree Health Premium Assistance Coverage Plan" for any police employees hired on or after that date, as well as any current employees who retire on or after such date. Under the newly established retiree health premium assistance plan, benefits will be paid by the City directly to the provider who is providing retiree health coverage to the retiree or his or her surviving spouse. The maximum amount will be equal in value to the City sponsored health plan.

To be eligible for benefits, Police employees must retire from the City on or after September 19, 2012, be vested in a CalPERS pension, have ten years of service with the Berkeley Police department, and retire from the City on or after age 50. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan. Benefits are payable for the retiree's lifetime.

In 2022 the City paid for employees retiring on or after September 19, 2012, a maximum of \$823.85/month toward the cost of single-party coverage and up to \$1,647.69/month toward the cost of two-party coverage for retirees under age 65 enrolled in the City's Retiree Health Plan.

For retirees over age 65 the City's share of single/two-party coverage is a maximum of \$436.14/\$872.28 per month and retirees must pay the difference of the actual premium cost. The City's share will increase by either the amount Kaiser increases the retiree medical premium for that year or 6%, whichever is less. The monthly benefit is pro-rated based on years of service. The City pays this benefit plan on a pay-as-you-go basis.

As of July 1, 2021, the most recent actuarial valuation date, the Actuarially Determined Contribution (ADC) was \$4.64 million and the plan was 6.93% funded. The actuarial accrued liability for benefits was \$37.25 million, and the actuarial value of assets was \$2.58 million, resulting in an unfunded accrued liability of \$34.67 million

Fire Employees Retiree Health Plan

The City sponsors a retiree health benefit plan for its Fire employees. To be eligible for benefits, Fire employees must retire from the City on or after July 1, 1997, be vested in a CalPERS pension, and retire from the City on or after age 50. Retirees can select from among any of the health plans offered to active employees. Benefits commence immediately upon retirement, but may also be deferred for a period during which the member is covered under another health insurance plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City contributions toward the medical premium depending on whether the retiree has dependent coverage and date of retirement. The City's contribution increases by 4.5% per year regardless of the amount of increase in the underlying premium rate. The City's contribution is prorated based on years of service. In 2019, the City's monthly premium cost per participant for this benefit was a maximum of \$662.85 for single party and \$1,322.35 for two-party

As of July 1, 2021, the most recent actuarial valuation date, the plan was 38.62% funded. The actuarial accrued liability for benefits was \$32.78 million, and the actuarial value of assets was \$12.66 million, resulting in an unfunded accrued liability of \$20.12 million.

Retiree Health Premium Assistance Plan (Non-Safety Members)

Effective June 28, 1998, the City adopted the City of Berkeley Retiree Health Premium Assistance Plan (for Non-Safety Members). Employees who retire from the City are eligible for retiree health benefits beginning on or after age 55 if they terminate employment with the City on or after age 50 with at least 8 years of service. Retirees can select a non-City sponsored health plan or enroll in any of the health plans offered to active employees. A retiree living outside the coverage area of the City's health plans can select an out-of-area health plan.

Benefits are payable for the retiree's lifetime and continue for his or her covered spouse's/domestic partner's lifetime. The City pays the monthly cost of the monthly premiums up to a Participant's applicable percentage of the Base Dollar Amount and subject to annual 4.5% increases as specified in the Retiree Health Premium Assistance Plan document. In 2022, the City's monthly premium cost per participant for this benefit was a maximum of \$546.40 for single party and \$940.10 for two-party. A participant's applicable percentage is based on years of service with the City. The City funds the plan based on the MOU. Contribution amounts are negotiated and vary by bargaining unit.

As of July 1, 2021, the most recent actuarial valuation date, the plan was 38.62% funded. The actuarial accrued liability for benefits was \$61.48 million, and the actuarial value of assets was \$31.49 million, resulting in an unfunded accrued liability of \$29.99 million.

Safety Members Pension Fund (closed plan)

The City also maintains the Safety Members Pension Fund (SMPF). This plan is a single-employer defined benefit pension plan for fire and police officers that retired before March 1973. In March 1973 all active fire and police officers were transferred from SMPF to CalPERS. Service and disability retirement benefits from the SMPF are based on a percentage of salary at retirement, multiplied by years of service. Benefits are adjusted annually by either:

- Current active salary increases (based on the same rank at retirement) or
- The income in the California Consumer Price Index (with a 1% minimum and a 3% cap). SMPF also provides surviving spouse benefits.

The City pays SMPF benefits on a pay-as-you-go basis. In February 1989, the Berkeley Civic Improvement Corporation purchased, on behalf of the City, a Guaranteed Income Contract (GIC) from Mass Mutual. This contract provides annual payments through 2018 and an annual guaranteed 9.68% rate of return (net of expenses).

The City was paying the difference between the total SMPF benefits and the amount received from the Massachusetts Mutual Guaranteed Income Contract (GIC). The City will receive declining amounts from the GIC through FY 2019. At June 30, 2022, the unfunded accrued liability was \$1.13 million. There were 6 participants remaining in the plan with the average age at 98.4 years.

Retiree Medical Plan Actuarial Data								
<i>(dollars in millions)</i>								
Plan	Measurement Date	Actuarial Estimated Liabilities	Plan Assets	Net Pension Liability	Actuarially Determined Contribution (ADC)	Actual Contribution *	% Funded	Total Plan Members
Police Employee Retiree Income Benefit Plan (closed)*	6/30/2022	\$ 64.81	\$ 4.63	\$ 60.18	\$ -	\$ 2.15	7.14%	148
Police Employees Retiree Health Premium Assistance Plan (new)	7/1/2021	\$ 37.25	\$ 2.58	\$ 34.67	\$ 4.64	\$ 0.40	6.93%	199
Fire Employees Retiree Health Plan	7/1/2021	\$ 32.78	\$ 12.66	\$ 20.12	\$ 3.07	\$ 0.74	38.62%	226
Retiree Health Premium Assistance Plans (Non-Safety Members) *	7/1/2021	\$ 61.48	\$ 31.49	\$ 29.99	\$ 5.07	\$ 2.22	51.22%	1669
Safety Members Pension Fund	6/30/2022	\$ 1.55	\$ 0.41	\$ 1.13	\$ -	\$ 0.50	26.71%	6
		\$ 197.87	\$ 51.77	\$ 146.09	\$ 12.78	\$ 6.01	26.17%	2248

*Actual contribution does not include interest income

*Since the implementation of GASB 67 and 68 the Annual Required Contribution (ARC) is no longer provided. In addition, it is a closed plan and therefore no “Actuarially Determined Contribution” is provided due to no new members and no payroll information.

Supplemental Retirement Income Plan (SRIP) I (closed plan)

On January 1, 1983, Ordinance No. 5450-N.S., which was codified in the Berkeley Municipal Code under Chapter 4.36.101 et seq., established SRIP I. The SRIP I plan consists of two components: 1) a defined contribution money purchase pension plan adopted in accordance with Sections 401(a) and 501(a) of the internal revenue code and 2) an employer paid disability benefit.

The City administrators of the money purchase pension plan are Hartford Life Insurance and Prudential Retirement Services. The plan is a defined contribution plan whereby the City contributes 5.7% of salary up to a salary of \$32,400 into a tax-deferred and self-directed investment account and 1% of salary up to a salary of \$32,400 into a disability reserve account for each permanent City employee. The total assets of SRIP I available for benefits at June 30, 2022, was \$6,193,509 which was comprised of 98 participant accounts. These assets are the property of the individual account holders and not the property of the City. These assets cannot be used to pay disability benefits.

The disability benefit is for employees hired after January 1, 1983 but prior to July 22, 1988, who became disabled and are entitled to receive a disability income benefit equal to 60% of their highest compensation, reduced by any disability payments they receive from Social Security, State Disability Insurance, or Worker's Compensation. Employees hired after July 21, 1988, are not eligible for benefits under this plan which was closed to new enrollees.

Benefits are payable for the disabled participant's lifetime or until recovery from disability. The third-party administrator is Cigna. Currently, the City pays the cost of the monthly disability benefits on a pay-as-you-go basis. As of July 1, 2022, there were a total of 54 closed group participants, 6 active employees and 48 disabled participants receiving benefits. The unfunded liability for SRIP I at July 1, 2022, the date of the last actuarial study, was \$10,018,000.

Workers' Compensation Program

The City of Berkeley began its self-insured workers' compensation program on March 1, 1975. The City's self-insured retention (SIR) has varied between \$100,000 and \$1,000,000 prior to 2004/05 and is currently unlimited. Every two years, the City has an actuarial review conducted to determine the outstanding liabilities and determine the rates to use for budgeting and payroll purposes to fund the program annually.

The recent actuarial study by Bickmore Actuarial showed the City's estimated outstanding liabilities, as of June 30, 2023, at an 80% confidence level to be at \$46,316,000 for the workers' compensation program. The City's Workers' Compensation Fund ended FY 2022 with a fund balance of \$51,696,189, meaning that the City is able to fund its estimated liabilities in its Workers' Compensation Program.

2. Current Costs for Active Employees

As of July 1, 2022, the City budgeted for 1,791.84 full-time equivalents (FTE). At any given time, the number of employees on the payroll is generally less than the budgeted number of FTE due to retirements and employment separations for other reasons. For purposes of this report, the analysis of the projected payroll costs for the next 10 years is based on the number of authorized budgeted FTE. That number was then projected based on the negotiated cost of living adjustments (COLA) established in collective bargaining agreements. Other increases were also assumed for medical costs, dental costs, cash in lieu, shoes and tools allowance, commuter checks, and other benefits.

Based on these assumptions, total payroll costs for all funds would grow from \$342.4 million in FY 2024 to \$486.9 million in FY 2034. For modeling purposes, the projected cost assumes no (0%) COLA, which means that the estimated increase of \$144.5 million is due to the rise in the costs of benefits only.

Citywide Total Personnel Costs and Fringe Rate Over Time with Zero COLAS												
Zero COLA	FY 2023 Adopted	FY 2024 Adopted	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
Total Payroll	\$ 205.7	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1	\$ 208.1
Total Benefits	\$ 128.5	\$ 134.3	\$ 154.9	\$ 160.4	\$ 169.4	\$ 178.1	\$ 192.0	\$ 222.0	\$ 232.7	\$ 243.6	\$ 267.1	\$ 278.8
Fringe Rate	62%	65%	74%	77%	81%	86%	92%	107%	112%	117%	128%	134%
Total Personnel Costs	\$ 334.3	\$ 342.4	\$ 363.1	\$ 368.5	\$ 377.5	\$ 386.3	\$ 400.1	\$ 430.1	\$ 440.8	\$ 451.7	\$ 475.2	\$ 486.9

A couple of significant factors driving the increase in benefit costs include:

- Health care premiums for active employees (meaning exclusive of retiree medical contributions). The cost of premiums for medical alone is estimated to grow from \$30.8 million in FY 2024 to almost \$95.8 million in FY 2034 assuming annual increases of 12 percent as has been historically budgeted in the past.
- Employer Paid Portion of PERS Costs is expected to rise from approximately \$78 million in FY 2024 to \$130 million in FY 2034. This does not take include any contributions made by employees towards overall City CalPERS costs that will be paid to PERS annually as shown in a previous chart.

3. Summary of all current City Obligations (GO bonds)

The City’s debt includes General Obligation Bonds and Revenue Bonds. Attachment 2 includes the detailed debt service payment schedules for each of these debt issuances.

The City currently has five outstanding general obligation (GO) bond authorizations (each with multiple series of bonds) related to public safety, libraries, senior centers, animal shelter, street and integrated watershed improvements, infrastructure and facilities improvement, and affordable housing. The oldest of the authorizations dates back to 1992. The City has an aggregate bond tax rate for FY 2023 of 0.0623 (which represents \$62.30 for each \$100,000 in assessed value (“A.V”). This rate has dropped from a historical peak of approximately \$95 (per \$100,000 in A.V) in the tax year 1999-2000. Based on projected annual increases in A.V and decreasing aggregate annual debt service over time, the tax rate will drop with the final tax collected in FY 2051 based on the current outstanding debt (Measure O is the latest bond authorization).

<u>Bond Authorization</u>	<u>Authorization Year</u>	<u>Authorization Amount</u>	<u>Bond issued Amount</u>	<u>Unissued Amount</u>	<u>Outstanding Debt Services as of 6-30-2022</u>	<u>Final Maturity</u>	<u>FY 2022 Bond Tax</u>	<u>FY 2023 Bond Tax</u>
Measure FF	2008	\$ 26,000,000	\$ 26,000,000	\$ -	\$ 17,925,000	2040	0.0059%	0.0058%
2015 General Obligation Refunding Bonds (Refunding Measure G, S, I Consolidated)	2015	88,700,000	88,700,000	0	20,950,000	2038	0.0135%	0.0130%
Measure M	2015	30,000,000	30,000,000	0	26,345,000	2047	0.0077%	0.0075%
Measure T1	2016	100,000,000	80,000,000	20,000,000	75,480,000	2052	0.0170%	0.0160%
Measure O	2018	135,000,000	78,000,000	57,000,000	76,440,000	2053	0.0088%	0.0200%
Total		\$ 379,700,000	\$ 302,700,000	\$ 77,000,000	\$ 217,140,000		0.0529%	0.0623%

It has been the City’s debt policy to issue each series of bonds with level amortization and terms of either 25 or 30 years. Many of the series have been refinanced for lower interest rates over time. Given the fixed term for each bond series, the aggregate annual debt service for all outstanding bonds decreases over time as each bond reaches its final maturity.

4. Summary of All Capital Assets and Infrastructure

The City has an extensive portfolio of capital assets and infrastructure, which includes 95 public buildings, 254 miles of public sanitary sewer mains and 130 miles of public sewer laterals, 54 parks, 2 pools, 3 camps, and 42 different facilities served by the City’s IT systems. Maintaining these assets is a costly and time-consuming enterprise that requires significant resources and constant attention. Additionally, Berkeley is an aging city and thus its infrastructure faces challenges that other younger cities do not.

Due to the age of the City’s infrastructure and limited resources allocated to infrastructure, the City’s **unfunded needs tied to infrastructure** have increased over the years and are anticipated to rise to **\$2.23 billion from FY 2024 to FY 2028**. These reflects staff’s best estimate of both the deferred maintenance in the City’s public infrastructure and the unfunded need to deliver public infrastructure that achieves a service level consistent with City Council’s direction, typically set through Council’s adoption of a comprehensive plan related to that category of public infrastructure.

Several recent items adopted by voters have provided a much-needed increase in the resources available for the City to address its infrastructure needs:

- **Measure T1:** In November 2016, Berkeley voters passed [Measure T1](#),² authorizing the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace, or reconstruct the City's aging infrastructure and facilities, including sidewalks, storm drains, parks, streets, senior and recreation centers, and other important City facilities and buildings. Council approved 45 projects to be completed in Phase 1. The majority of these [projects are now complete](#)⁸¹, with the balance to be completed in 2023. On December 15, 2020, Council approved 36 additional projects to be completed in Phase 2, between 2021 and 2026.
- **Measure F:** The November 2014 voter approval of Measure F (a City-wide special parks parcel tax) provided an additional \$750,000 per year for major maintenance projects, raising annual funding for parks capital and major maintenance projects from the prior \$250,000 to \$1 million.
- **Clean Storm Water Fund:** The Clean Storm Water fund provides the funding for the maintenance and improvement of the City's storm water drainage system to reduce the pollutants in storm water from entering local creeks and the Bay. Revenue to this fund is from the collection of fees charged to every owner of real property in the city of Berkeley and is collected through property taxes. Prior to FY 2019, Clean Storm Water Fund revenues were fee-supported and are capped at 1996 levels by Proposition 218, set at flat \$34 fee per year. The revenues generated by this fee were no longer sufficient to pay for the Clean Storm Water program. The City conducted a Proposition 218 rate increase process that was approved by the voters and the City Council. The new fees generated by the 2018 Clean Storm Water Fee are shown as separate line item on property tax bills from the 1991 Clean Storm Water Fees. The fee is subject to an annual adjustment based on the Consumer Price Index in future years.
- **Streetlight Assessment District Fund:** The Streetlight Assessment District Fund provides for maintenance of the City's 7,860 streetlights along the public streets, parking lots, pathways, recreation facilities, and marina. Also, it is to be used for installation or construction of public lighting facilities. Revenue to this fund is collected through annual property taxes and is capped by Proposition 218, allowing for no rate increase to this assessment without voter approval. Property owners and the City Council approved a new 2018 Streetlight Assessment District that is shown as a separate line on the property tax bills. The Proposition 218 revenue increase provides additional revenue to support the program and maintain service levels.

² See <https://www.cityofberkeley.info/MeasureT1/>.

The approved ballot measure also allows for an inflation adjustment based on the Consumer Price Index, but no more than 3% per year. The inflation index can be applied to the sum of the 1982 and 2018 assessments. Starting in FY 2022, Public Works will focus on an annual capital improvement projects for the street light program. Fund balance is mostly due to compounding salary savings from freezing and vacant positions. As the work on the streetlight deferred maintenance and capital plan ramps up, frozen positions will be reassessed.

As part of the FY 2023-2024 Budget adoption, the Council authorized a significant new infusion of investment in capital infrastructure. For Public Works this included an additional \$5 million in FY 2023 and \$9.1 million in FY 2024 for additional paving funds, as well as an additional \$750,000 for deferred building maintenance and \$750,000 for ADA Transitional Plan funding for the same period. An additional \$1.5 million in FY 2023 and \$2 million in FY 2024 were allocated to Parks, Recreation & Waterfront (PRW) capital improvements. These investments have been critical to improving public infrastructure, especially in light of recent escalation in construction costs.

Despite these measures, City facilities and infrastructure needs continue to outpace available funding. The unfunded needs for existing and new planned infrastructure in parks, pools, camps, and the Waterfront exceeds \$380 million. The current annual allocation to PRW capital of \$3.815 million – despite being the highest level of annual commitment in recent history – is still not enough to keep pace with the unfunded needs, (see Attachment 3, Exhibit A).

The unfunded needs in City buildings, sidewalks, streets, streetlights, sewer, storm water, green infrastructure, traffic signals, parking infrastructures, undergrounding, Veterans and Old City Hall buildings, transfer station, bike and pedestrian plan projects, and transit projects, exceed \$1.6 billion. With the recent funding increases, the amount of recurring funding to address these needs is now an estimated \$42.4 million as of FY 2024.

It is anticipated that infrastructure costs will continue to increase through typical wear and tear on our City infrastructure in the coming years, plus the pressures of long-deferred maintenance. As needed improvements continue to be deferred, operating and maintenance costs rise and rehabilitation and replacement costs increase substantially.

UNFUNDED NEEDS

The following describe the various unfunded needs by program category:

- City Buildings:** Public Works is responsible for the maintenance of 56 of the City’s 95 facilities. The other 39 are maintained by PRW. The total replacement value of the Public Works-maintained buildings in this inventory exceeds \$540 million. Library facilities and facilities leased to other entities are not included in this analysis. A third-party expert has provided facility condition assessments for many of these buildings. These assessments identify building components replacements (plumbing, electrical, HVAC, wall/door finishes, etc.) that either should have already been completed or schedules them before the useful life of the component is over. Based on these assessments, the City’s existing facility needs are estimated at approximately \$314,500,000, while the current budget allocation for building component replacement over the 5-year planning period is \$13 million. An alternative analysis provided by the City’s Strategic Asset Management Plan identified an annual funding shortfall of \$5.2 million to \$11.7 million. Some of the funding gap is covered by one-time allocations from the General Fund or T1 funds.
- Parks, Recreation & Waterfront:** The Parks, Recreation & Waterfront Department (PRW) operates, maintains and manages 54 parks, 4 community centers, 2 clubhouses, 2 pools, 3 resident camps, 15 athletic fields, 49 sports courts, 63 play areas, 36 picnic areas, 45,000 trees, 11.5 miles of landscaped street medians and triangles, 263 irrigation systems, and 30 restrooms and buildings. In addition, PRW operates and maintains the Berkeley Waterfront and its related facilities, including the docks, pilings, channel, streets, pathways, parking lots, buildings, trails, Shorebird Nature Center, Adventure Playground, and 1,000 boat slips. The recurring funding available for capital and major maintenance is \$3.185 million, as shown in the table below.

Funding Source	Annual Capital & Major Maintenance Funding
Parks Tax Fund	\$1,065,000
Capital Improvement Fund	\$2,400,000
Marina Fund	\$350,000
Camps Fund ³	\$0
Total Funding Available	\$3,815,000

³ Due to the loss and rebuilding of Berkeley Tuolumne Camp, the Camps Fund does not have sufficient funds at this time to cover any annual investment in capital or major maintenance.

Unfunded needs for existing PRW infrastructure are summarized in the table below.

Unfunded PRW Capital Needs – Existing infrastructure	
Improvements	Cost Estimate
Resident Camps	\$8,460,855
Waterfront	\$160,995,276
Pools	\$7,581,600
Park Buildings/Facilities	\$4,749,030
Parks (General)	\$15,163,200
Parks (Specific)	\$39,279,006
Park Restrooms	\$2,316,600
Total Need	\$238,545,567

In addition, there is \$145M in unfunded needs for planned PRW improvements that are not currently existing infrastructure, shown in the table below.

Unfunded PRW Capital Needs – New Planned Infrastructure	
Improvements	Cost Estimate
San Pablo Park: New Community Center and Pool	\$39,000,000
King Park: New 25M Competitive Pool / Locker Room	\$16,000,000
Tom Bates Sports Complex: New Youth Soccer Field, Pickleball Courts and Restroom	\$1,980,000
New Restrooms in Parks over 1 Acre: James Kenney, Aquatic, Civic Center, King, and John Hinkel Parks	\$2,630,000
James Kenney Park: Skate Spot	\$369,000
Waterfront: New Bike Park adjacent to University Ave.	\$1,650,000
Waterfront: Pier/Ferry Preferred Concept with landside and waterside improvements	\$83,500,000
Total Need	\$145,129,000

These new infrastructure improvements would add new community amenities, and are included because conceptual planning processes have been completed or Council has provided direction to implement. If this new planned infrastructure is built, there will be approximately \$44M in savings realized in existing infrastructure cost estimates, as they would replace some existing infrastructure. The estimates do not reflect funding arrangements. For example, for the pier/ferry, the City and the Water Emergency Transit Authority (WETA) would share responsibility for identifying funding for the [preferred concept](#) developed during a year-long community process.⁴

⁴ See https://berkeleyca.gov/sites/default/files/documents/2021-12-07%20Item%2002%20Large%20Scale%20Ferry%20Feasibility%20Study%20E2%80%93%20A%20Preferred%20Concept_0.pdf

The majority of PRW unfunded needs are at the Waterfront, where many of the docks, pilings, buildings, parking lots and streets have reached the end of their useful life and are starting to fail. As documented in multiple reports over the last several years⁵, there is a diminishing ability to pay for the pressing capital needs in the Waterfront. From the Marina Fund, \$350,000 per year is budgeted for capital improvements. This amount is insufficient to address Waterfront needs. The Marina Fund is projected to need \$1.4M in the next budget cycle just to maintain baseline Waterfront operations and does not currently have the ability to support capital projects. Capital needs at the Waterfront are otherwise dependent on General Fund, external funding and grants. Over \$40M has been invested into the Waterfront by the City over the last fifteen years⁶, but it is only a small percentage of the investment needed. The City is working on a Waterfront Specific Plan⁷, which will explore new revenue generating opportunities to help address the structural deficit, exhausted reserves, and declining operating revenue that makes it impossible for the Marina Fund to reinvest in its facilities.

⁵ See March 16, 2022 BMASP Community Meeting #2 presentation (https://www.cityofberkeley.info/uploadedFiles/Parks_Rec_Waterfront/Level_3_-_General/2022-03-16-FINAL-Mtg_deck-CW2-Deck.pdf); April 29, 2021 PRW Budget Presentation to the Council Budget & Finance Policy Committee, (<https://www.cityofberkeley.info/uploadedFiles/Clerk/PRW%20FY22%20Budget%20Presentation%20Rev2.pdf>); February 16, 2021 Council report and presentation for the BMASP and Pier/Ferry Worksession (https://www.cityofberkeley.info/Clerk/City_Council/2021/02_Feb/Documents/2021-02-16_WS_Item_02_Berkeley_Marina_Area_Specific_Plan_pdf.aspx); November 10, 2020 Marina Fund presentation to Council Budget & Finance Policy Committee (https://www.cityofberkeley.info/uploadedFiles/Clerk/2020-11-12_Item_2c_Budget.pdf); December 13, 2018 Off-Agenda Memo (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20121318.pdf); November 15, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/11_Nov/Documents/2018-11-15_WS_Item_02_Parks_Recreation_Waterfront_pdf.aspx); July 1, 2018 Off-Agenda Report ([https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20\(w%20attachments\).pdf](https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/CM%20Update%20-%20Waterfront%20-%20Hs%20%20Lordships%20(w%20attachments).pdf)); May 8, 2018 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_03_Parks_Recreation_Waterfront.aspx); May 8, 2018 Proposed Budget Update (https://www.cityofberkeley.info/Clerk/City_Council/2018/05_May/Documents/2018-05-08_WS_Item_01_FY_2019_Proposed_Budget_Update.aspx); April 12, 2018 Off-Agenda Report (https://www.cityofberkeley.info/uploadedFiles/Clerk/Level_3_-_General/Marina%20Fund%20Update%20041218.pdf); and November 7, 2017 Worksession Report (https://www.cityofberkeley.info/Clerk/City_Council/2017/11_Nov/Documents/2017-11-07_WS_Item_02_Parks_Recreation_and_Waterfront_CIP.aspx).

⁶ See <https://berkeleyca.gov/sites/default/files/2022-04/Waterfront%20CIP%20Projects%20021622.pdf> and <https://berkeleyca.gov/sites/default/files/documents/2022-12-13%20Special%20Item%2002%20Grant%20Contracts%20with%20the%20State%20Coastal.pdf>

⁷ See <https://berkeleyca.gov/your-government/our-work/capital-projects/berkeley-marina-area-specific-plan-bmasp-project>

- **Streets & Roads:** There are approximately 215 centerline miles of improved streets in Berkeley and their estimated replacement value is \$816,753,950. Every two to three years, portions of Berkeley's streets are inspected using the Metropolitan Transportation Commission's Pavement Management System (PMS) to identify repair needs and assign a pavement condition index (PCI). The City uses the PMS and PCI to track and prioritize pavement rehabilitation and maintenance needs on individual asphalt streets and the overall condition of the City's street pavement network.

The current overall average PCI rating is 56 (out of 100). This puts Berkeley's streets in the 'at-risk' category. The recently updated Street Maintenance and Rehabilitation Policy (2022) identified a goal of good condition for the City's streets, which is a PCI between 70 to 79. To keep the streets from deteriorating further, City Council has adopted a policy allocated \$8 million annually in General Fund money. That \$8 million contribution, along with existing transportation funds totaling \$7.3 million, would ensure the pavement condition is at least maintained and does not decline. If that committed is continued, the City would have to spend an additional \$247,500,000 to achieve a PCI of 75 within 15 years. This funding only assumes treatment of pavement surface, markings, and curb cuts, not costs related to drainage improvements, green infrastructure, and implementation of the City's bicycle, pedestrian, and Vision Zero plans.

- **Sidewalks & Pathways:** The City has 400 miles of sidewalk. Public Works manages a sidewalk repair program to keep the City's sidewalks safe and provide for safe pedestrian passage, including make safe repairs, annual proactive repair program, and the City's 50/50 replacement cost-share program in which the City shares the costs for broken sidewalks with property owners. Public Works responds to all reported sidewalk hazards, assesses each situation and installs an asphalt make-safe or grinds the sidewalk hazard if applicable, and on occasion perform limited sidewalk removal and replacement if a sidewalk hazard cannot be made reasonably safe. These sidewalks have an estimated replacement value of \$400,000,000. Deferred maintenance in this asset is estimated at \$60,000,000, primarily derived from the recently completed ADA Transition Evaluation that proactively assessed all of the City's sidewalks and identified repair locations. However, the City has only \$1 million available in annual funding towards sidewalks maintenance and repair from baseline allocations from the Capital Improvement Fund and 50/50 Program contributions from residents.
- **Sewers:** The City owns and operates 255 miles of sewer mains and 165 miles of lower laterals. Their estimated replacement value is \$820,000,000. The estimated cost of rehabilitating all of the City's sewer pipes per the City's adopted plans is \$183,500,000. This is one of the asset categories with a dedicated fee that has been adjusted every five years. It is adequately funding a maintenance and capital renewal program, resulting in the deferred maintenance declining over time. The City's Strategic Asset Management Plan also found proper maintenance funding for

this asset. In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final Consent Decree. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements, and resulted in increased costs of managing the City's existing sewer system.

- **Storm Water & Green Infrastructure:** The City owns and operates 255 miles of sewer mains and 165 miles of lower laterals. Their estimated replacement value is \$820,000,000. The estimated cost of rehabilitating all of the City's sewer pipes per the City's adopted plans is \$183,500,000. This is one of the asset categories with a dedicated fee that has been adjusted every five years. It is adequately funding a maintenance and capital renewal program, resulting in the deferred maintenance declining over time. The City's Strategic Asset Management Plan also found proper maintenance funding for this asset. In 2014, the City (along with EBMUD and all agencies conveying flows to EBMUD) concluded negotiations with the Environmental Protection Agency and the Department of Justice for violation of the Clean Water Act and agreed to a stipulated settlement known as the final Consent Decree. To comply with the Consent Decree, the City is required to rehabilitate an average of 4.2 miles of sewer pipeline annually based on a three-year rolling average. Effectively, this mandated significant additional maintenance activities and capital improvements, and resulted in increased costs of managing the City's existing sewer system.
- **Traffic Signals & Parking Infrastructures:** The City currently has 142 traffic signals, 20 rectangular rapid flashing beacons, 2,100 parking meters and 240 pay stations. Staff estimated \$23,500,000 in unfunded needs related to the replacement and renewal of these infrastructure components.
- **Undergrounding Project:** The City has approximately 15 miles (as identified in the Phase 3 Report for undergrounding) of key evacuation routes where undergrounding utility wire needs to take place in Berkeley. The estimated cost is approximately \$7,000,000 per mile with a 4% annual escalator factor applied. The estimated cost of these improvements is currently \$109,200,000.
- **Vets & Old City Hall:** Both Old City Hall and Veteran's Buildings are in need or renovation and were built prior to seismic standards and must be retrofitted. Staff estimated a cost of \$110,000,000 to complete these renovations and retrofits.
- **Transfer Station:** The Transfer Station, which was constructed in 1982, requires a redesign and replacement estimated at \$76 million. The Solid Waste & Recycling Transfer Station Replacement Project Feasibility Study was completed in November 2019 after a robust public input process.

Currently, the Transfer Station has two below-grade refuse and organic materials load out tunnels that top-load trailers who transfer the material off the site for recycling and/or disposal. The Transfer Station and its ancillary structures are showing considerable wear and tear after 38 years of operation, and the current facilities are not configured for efficient diversion or customer-friendly recycling of incoming materials.

- **Bike & Pedestrian Projects:** City Council has approved the Bicycle Plan (2017) and Pedestrian Plan (2021). Staff estimate the unfunded need to implement these plans and the projects derived from them to be at least \$129 million. These projects also are important to the Vision Zero Action Plan (2020), which seeks to eliminate severe injuries and fatalities on our City Streets, a high proportion of which are bicyclists and pedestrians.
- **Transit Projects:** The City is committed to encouraging transit use. An AC-Transit Major Corridor Study (2016) recommended a series of improvements throughout the City. Those improvements are currently estimated at \$53 million, including funds sufficient to install new and/or replace bus pads. The City is currently developing a Transit First Implementation Plan to help guide and focus ongoing transit operations improvements on City streets.

Information Technology Infrastructure

Technology infrastructure presents unique challenges with respect to forecasting long term requirements because technology evolves quickly compared to other types of infrastructure. The City's needs in terms of network bandwidth, data storage, and wireless devices may be dramatically different in the future than they are today. Additionally, unlike traditional infrastructure replacement projects which can be done incrementally, some technology tools require a large upfront investment to implement but cost significantly less to upgrade as the technology becomes more common. City staff currently use and maintain a vast technology infrastructure to provide services to the community each day. Current information technology infrastructure will expand as the City uses more technology tools to gain efficiencies.

Historical Background and Summary

The Department of Information Technology provides the City's computing infrastructure, supporting desktops, laptops, mobile devices, back-end server infrastructure, network accessibility and digital data security. Examples of such infrastructure include:

- Computer asset inventory comprising approximately 1,412 desktops, 796 laptops, 240 tablets, and 118 Public Safety Mobile Data Computers (MDCs), which continues to increase due to remote work expansion.

- Replacement of aging, end-of-life enterprise systems such as the FUND\$ financial system.⁸
- A major update of the City's phone system (Voice over IP or VOIP) via unfunded upgrades to address eFax, Automation of line move/add/change, softphones, VOIP security, etc.
- Increased capacity for City's digital data storage needs and cybersecurity initiatives.

Many of the above prior projects were unfunded and were the result of a need to respond to an immediate or impending threat (such as a breach, or aging, unsupported, end-of-life equipment), as the timing of the needs often outpaced the ability to anticipate and plan for long term sustainability due to a number of factors, including loss of institutional knowledge through personnel departures and retirements or lack of "pipeline" funding (i.e., what would be needed for the next *n*-years to replace an end-of-life system).

For FY 2023 through FY 2025, which is about the limit of future foresight as it applies to IT systems, at least six critical projects need to be addressed through unfunded liabilities to preserve the City's digital assets:

1. Continued implementation of Cybersecurity Resiliency Plan:

In late 2018, the City began development of its Cyber Resilience Plan (CRP) to help ensure the City is sufficiently and prudently equipped to handle cyberattacks and to help the City mitigate the effects of a successful cyberattack, should one occur. Information Technology continues to implement the solutions identified in the CRP.

2. Customer Relationship Management (CRM):

In FY 2019, the City upgraded its existing CRM software application, used by 311, Public Works and Parks, Recreation and Waterfront (PRW). Beginning November 2021, Public Works and PRW implemented a separate work order system called NextGen, which is not well integrated with the existing Lagan system still in use by 311 (the Lagan system is still being used by 311 to field over 100,000 requests for service per year). A new 311 CRM system replacement and implementation was targeted for FY2021 but delayed due to COVID and a related proposed budget reduction. 311 paused the release of the RFP until the Public Works NextGen work order system was implemented and the Zero Waste billing system vendor was selected.

An RFP for a new CRM system will be published in late FY 2023 with an estimated implementation completion date of FY 2025. During this period, 311 will remain on Verint-Lagan (\$33,000 per year) until the new CRM is fully implemented. The new CRM will give 311 the ability to capture, route, and manage all forms of requests through multiple communication channels with integration to the Public Works and PRW NexGen work order system, and Zero Waste billing system. A new CRM cloud-based system will allow community members to make service requests online via a City of Berkeley CRM portal on the City's website. Community members, City Staff and Council will be able to view status of service requests and view integrated knowledge documents online through the 311 CRM portal.

3. Geographical Information Systems (GIS)– Master Address Database (MAD) to address the Non-Compliance with NENA GRID and e911 Technology:

As the City deploys new systems such as work order, zero waste billing, digital permitting CRM and others, it is critical to have a modern, centralized address/parcel database that can easily feed accurate and consistent GIS information. Having one source of truth for address data will allow for ease of maintenance, timely updates, and consistency. This will bring greater efficiencies for city departments through various workflows including permitting, building inspections, work orders, billing, assessments and more. It will result in service that is more effective to our community by providing real time and accurate address data across departments. This project will be in conjunction the Property Tax Replacement Project, which is scheduled to begin in FY 2024.

4. IT Department Move to 1947:

The Department of Information Technology was in the planning stages to relocate to 1947 Center Street to accommodate all of its staff, as well as several City Manager's Office (CMO) personnel, totaling over 55 total employees. The move to 1947 Center Street was delayed in FY20 due to COVID related proposed budget deductions, and again delayed in FY 2022 due to unexpected asbestos abatement construction delays. The move is now targeted to begin before the end of FY 2023 and complete in FY 2024.

5. Improvement to City-wide Facilities Wi-Fi:

Currently all City of Berkeley facilities are not setup to provide seamless Wi-Fi connectivity. Furthermore, those locations providing current Wi-Fi are serviced with aging, deprecated and/or non-enterprise quality equipment which has proven to be troublesome and failure-prone. In anticipation of a more disbursed work culture, it is imperative that the City provide enterprise quality, secure and high-speed Wi-Fi access at all its facilities serving both employees and the public. This includes outdoor areas of the Marina and other PRW facilities.

The availability of such service will enhance productivity and safety for all, and is consistent with needs of all City departments as well as an outside audit finding.

Information Technology will engage a managed service provider to install, upgrade and/or replace all Wi-Fi access points and accompanying technology at all City managed facilities and areas. This managed service will alleviate the heavy service demands placed on staff to provide field support for maintaining equipment, as the managed service will provide full, turnkey support of all equipment with designated response windows.

6. Implementation of City-wide collaboration tools (MS TEAMS and SharePoint):

The City lacks an enterprise solution for collaboration and productivity. Microsoft Teams and SharePoint are licensed products that the City subscribes to and provides for unified messaging for all organizations. It is a platform solution and workspace for real-time collaboration and communication, meetings, file and app sharing. Implementation of MS TEAMS and SharePoint will allow City to collaborate on a broader scale, and increase security and accessibility of electronic media and documents. It also will allow the City to better manage any file retention policies. Implementation of MS TEAMS and SharePoint will require the services of both internal staff as well as a qualified professional consultant and implementer.

Options to Address Long Term Retirement and Infrastructure Costs

The City continues to consider how to prioritize expenditures to address some of its long-term obligations in order to maintain a healthy future.

As mentioned earlier in this report, Council has already taken the following actions to address the City's unfunded liabilities.

- On June 26, 2018, Council authorized the City Manager to establish an IRS Section 115 Pension Trust Fund (Trust) to be used to help pre-fund pension obligations. On May 14, 2019, Council authorized the City Manager to execute a contract with Keenan Financial Services to establish, maintain, and invest the pension Section 115 Trust.
- The Section 115 Trust currently has a balance of \$14,762,850.42 and is being funded annually through transfers from the General Fund and Capital Improvement Fund and the savings from prepayment of the annual PERS payment, and, beginning in FY 2023, through any additional earned investment revenue over the baseline projection.

Infrastructure is starting to be addressed through the Adopted Budget including funding of \$18.3 million for street rehabilitation in FY 2023, which includes \$7.1 million from the CIP Fund (\$2.1 million baseline and \$5.0 million additional funding), State gas tax, Measure BB and other sources. In FY 2024, the CIP Fund contributes nearly \$11.0 million and funding from all sources total \$19.4 million.

While additional resources are necessary to address deferred maintenance needs, funding is also required to respond to several one-time critical public safety projects including the Jail Control Panel Replacement project, the Waterfront piling project; Telegraph/Channing Garage Elevator Repairs, and various traffic calming and improvement projects. In total, the General Fund supports funding of approximately \$14.0 million in capital projects each respective fiscal year funded by a portion of projected excess property transfer tax revenues.

Berkeley voters have approved several bond measures to improve the City's infrastructure, including Measure F for parks, Measure M for streets, and most recently Measure T1, which authorized the City to sell \$100 million of General Obligation Bonds to repair, renovate, replace or reconstruct the City's aging infrastructure and facilities.

General Fund Revenue Projections

As noted in the introduction, when this report was originally presented in 2013, members of the City Council requested that staff include long-term revenue projections in the next biennial report, in addition to the expenditure projections identified in Council Resolution No. 65,748-N.S. The intent was to present a more complete and informative forecast, and provide a better long-term perspective on Berkeley's ability to achieve financial stability through future economic cycles. The projections presented in this report are limited to the General Fund as those funds are the most discretionary in terms of allocation, and also highly subject to economic conditions. The General Fund typically comprises about one-half of the City's total budget; the remainder of the budget consists of various Special Funds which are restricted in purpose (e.g. Zero Waste, Permit Services Center, Sewer, Public Health, and Mental Health).

The chart below provides a summary of total General Fund Revenues projected through FY 2027. The revenue projections have been updated to reflect results from the first six months of Fiscal Year 2023. Fifty percent (50%) of the City's FY 2023 Projected General Fund revenue is derived from Secured Property, Sales Tax, Business License Taxes, and Property Transfer Taxes. Each major contributing revenue stream is described in more detail below. Additional detail on General Fund Revenue Projections can be found in Attachment 4.

General Fund Revenues Projections (dollar in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenues						
Baseline	\$ 258.7	\$ 272.9	\$ 274.6	\$ 262.2	\$ 267.6	\$ 272.5

Property Tax

Given the continued high collection rate, and the resilience of property values in the City, as well as a large volume of recent property sales (which bring assessed values to market value), we are projecting that annual growth will be approximately 5.5% over the next several years. The persistence of strong growth of property valuations in recent years, as well as the spike in current year sales (which bring properties assessed valuations to market value), have caused staff to increase the projected growth rate from the 3.5% that we have used in prior long-term projections.

Sales Tax

The immense effects of COVID-19 on sales tax revenue in FY 2021 were largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and staff now project growth to level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections

Business License Taxes

We are projecting a 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer. 2023 business license returns (for 2022 gross receipts) are just now being received, so we will know more about how revenues are trending once they are processed over the next month or so.

Transfer Tax

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027. The spike in revenue being seen in FY 2022, and to a lesser extent in FY 2023, is likely due to sales triggered by looming interest rate increases that have been signaled by the Federal Reserve, as well as some pent-up demand from mildly depressed sales during the pandemic. Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but interest rate increases will probably negatively impact sales prices and volumes somewhat in the next few years. We also expect revenues from Measure P supplemental tax on high value property transfers to remain basically flat.

General Fund Revenues versus General Fund Expenditures

One value of producing long term General Fund revenue projections is to compare them against General Fund expenditure projections. Since about 57% of the General Fund expenditures are personnel costs, any change in those costs has an impact on the balance between revenues and expenditures.

The expenditure projections assumes the following:

- Staffing Levels remaining at the FY 2023 Adopted Budget Levels
- No cost of living adjustments (COLA) beyond what is currently negotiated
- PERS rates based on rates provided by the City’s actuarial agency
- Other Fringe Benefits increase annually by 8 percent
- Tier 1 Personnel positions continue as recurring costs
- Tier 1 Non-Personnel allocations end after FY 2024
- Non-Personnel costs increase annually by 3 percent

The chart below is offered as a demonstration only and is not a proposal or budget plan.

General Fund Revenues v.s. Expenditures - Demonstrative Comparison (dollars in millions)						
	FY 2023 Adopted	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
GF Revenues Baseline	\$ 258.70	\$ 272.90	\$ 274.60	\$ 262.20	\$ 267.60	\$ 272.50
GF Expenditures - Zero COLA	\$ 280.70	\$ 275.60	\$ 280.20	\$ 293.70	\$ 295.00	\$ 299.60
Surplus/(Deficit)	\$ (22.00)	\$ (2.70)	\$ (5.60)	\$ (31.50)	\$ (27.40)	\$ (27.10)

Staff is in the process of developing the FY 2024 Mid-Biennial Budget Update, however, the preliminary forecast above indicates that the City has a structural deficit that needs to be addressed in FY 2024 through FY 2026.

CONCLUSION

One of the terms that is often used with respect to the long-term obligations that are described above is “unfunded liabilities.” Unfunded liabilities are defined as identifiable obligations of an organization for which the organization does not have 100% of the funding (cash or other assets) set aside to cover the cost should all obligations become immediately due. Generally, an organization manages a balance between funding a portion of the entire obligation and the associated risk that the obligation will be due at the same time. This balance is considered the practical and responsible approach since payment demands of these obligations rarely, if ever, occur simultaneously. The alternative would be to 100% fund the obligations causing a great portion of cash to be reserved and not available for providing services or meeting other immediate obligations, needs, or desires of the community. Maintaining a careful

balance between cash on hand to fund daily operations and liquidity to cover unfunded liabilities is a key challenge for all governments. With that said, the City's unfunded liabilities tied to benefits total \$614 million, and the City's unfunded infrastructure needs total \$2.23 billion.

POSSIBLE FUTURE ACTION

The information contained in this report will be referenced throughout the budget planning meetings in advance of the FY 2024 Mid-Biennial Budget Update and during the FY 2025 & FY 2026 Biennial Budget process.

FISCAL IMPACTS OF POSSIBLE FUTURE ACTION

See information described above.

ENVIRONMENTAL SUSTAINABILITY

Actions included in the budget will be developed and implemented in a manner that is consistent with the City's environmental sustainability goals and requirements.

CONTACT PERSON

Sharon Friedrichsen, Budget Manager, City Manager's Office, 981-7000
Rama Murty, Senior Management Analyst, City Manager's Office, 981-7000
Henry Oyekanmi, Finance Director, Department of Finance, 981-7300

Attachments:

1. Employee and Retiree Benefits Funded Status
2. City's Debt Obligations
 - Exhibit A: General Obligation bonds
 - Exhibit B: Revenue Bonds
3. Capital Assets
 - Exhibit A: Infrastructure
 - Exhibit B: Appraisal of Buildings Valued at \$5 million or more
4. General Fund Revenues

Employee and Retiree Benefits Funded Status (dollars in millions)						Attachment 1
Fund Name	Valuation Date	Estimated Liability	Plan Assets	Funding Target	Net Liability	% Funded
Police Retiree Income Plan (closed)*	6/30/2020	\$ 79.95	\$ 5.83	2	\$ 74.1	7.29%
Police Employee Retiree Health Plan (new)*	7/1/2019	\$ 40.43	\$ 2.49	2	\$ 37.9	6.16%
Fire Employees Retiree Health Plan*	7/1/2019	\$ 25.83	\$ 11.31	1	\$ 14.5	43.8%
Retiree Health Premium Assistance Plan (Non-Safety Members)*	7/1/2019	\$ 68.46	\$ 27.81	1	\$ 40.7	40.62%
Safety Members Pension Fund*	6/30/2020	\$ 1.86	\$ 0.10	2	\$ 1.76	5.4%
Miscellaneous CalPERS Plan*	6/30/2021	\$ 1,181.2	\$ 946.3	1	\$ 234.9	80.1%
Police CalPERS Plan*	6/30/2021	\$ 483.8	\$ 332.5	1	\$ 151.3	68.7%
Fire CalPERS Plan*	6/30/2021	\$ 306.7	\$ 248.1	1	\$ 58.60	80.9%
TOTAL		\$ 2,188.2	\$ 1,574.4	-	\$ 613.8	72.0%

Since the implementation of GASB67 and 68 the Annual Required Contribution (ARC) is no longer provided.

Funding Target:

1 - percentage of payroll

2 - pay as you go

**Retiree Medical Plan & CalPERS Plans data from actuarial reports from Foster & Foster, Inc.*

General Obligation Bonds

FY	2014 Measure M (2014 Street and Integrated Watershed)		2015 GO Refunding Bonds (Refunding Measure G, S, I)		2016 Measure M (2016 Street and Integrated Watershed)		2017 Measure T1 Infrastructure and Facilities Improvements		2020 Measure O Affordable Housing		2020 G.O Bonds (Series A)		2020 G.O Bonds (Series B)		2021 G.O Bonds (Measure T1)		2022 Measure O Affordable Housing		Total		Annual Total P & I	End of FY GO Bonds Balance
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2023	370,000	526,000.00	2,270,000	779,837.50	320,000	420,112.50	730,000.00	1,000,556.26	740,000.00	1,265,540.00	265,000.00	272,075.00	395,000.00	409,312.50	1,500,000.00	1,258,325.00	-	560,733	6,590,000	6,492,492	13,082,491.51	210,550,000
2024	385,000	507,125.00	2,380,000	663,587.50	335,000	403,737.50	765,000.00	963,181.26	770,000.00	1,237,265.00	275,000.00	258,575.00	415,000.00	389,062.50	1,750,000.00	1,177,075.00	805,000	2,081,070	7,880,000	7,680,679	15,560,678.76	202,670,000
2025	405,000	491,425.00	2,495,000	541,712.50	350,000	386,612.50	805,000.00	923,931.26	800,000.00	1,209,790.00	285,000.00	244,575.00	435,000.00	367,812.50	920,000.00	1,110,325.00	580,000	2,032,770	7,075,000	7,308,954	14,383,953.76	195,595,000
2026	420,000	478,787.50	2,625,000	413,712.50	370,000	370,462.50	845,000.00	882,681.26	825,000.00	1,181,352.50	300,000.00	229,950.00	455,000.00	345,562.50	965,000.00	1,063,200.00	615,000	1,997,970	7,420,000	6,963,679	14,383,678.76	188,175,000
2027	430,000	465,237.50	2,760,000	306,687.50	385,000	355,362.50	885,000.00	843,856.26	855,000.00	1,151,952.50	315,000.00	214,575.00	485,000.00	322,062.50	1,010,000.00	1,013,825.00	650,000	1,961,070	7,775,000	6,634,629	14,409,628.76	180,400,000
2028	445,000	449,350.00	2,840,000	222,687.50	405,000	339,562.50	920,000.00	807,756.26	885,000.00	1,121,502.50	335,000.00	198,325.00	505,000.00	297,312.50	1,065,000.00	961,950.00	690,000	1,922,070	8,090,000	6,320,516	14,410,516.26	172,310,000
2029	465,000	431,150.00	1,960,000	150,687.50	425,000	322,962.50	960,000.00	779,156.26	915,000.00	1,090,002.50	355,000.00	181,075.00	530,000.00	271,437.50	1,115,000.00	907,450.00	730,000	1,880,670	7,455,000	6,014,591	13,469,591.26	164,855,000
2030	480,000	412,250.00	880,000	108,087.50	450,000	307,712.50	980,000.00	757,931.26	950,000.00	1,057,365.00	370,000.00	162,950.00	555,000.00	244,312.50	1,170,000.00	850,325.00	775,000	1,836,870	6,610,000	5,737,804	12,347,803.76	158,245,000
2031	500,000	392,650.00	305,000	89,931.25	470,000	293,912.50	1,000,000.00	731,906.26	980,000.00	1,023,590.00	395,000.00	143,825.00	585,000.00	215,812.50	1,230,000.00	796,475.00	820,000	1,790,370	6,285,000	5,478,473	11,763,472.51	151,960,000
2032	520,000	372,250.00	315,000	79,856.25	485,000	279,587.50	1,030,000.00	701,456.26	1,015,000.00	989,946.25	410,000.00	125,750.00	615,000.00	188,887.50	1,280,000.00	752,675.00	860,000	1,749,370	6,530,000	5,239,779	11,769,778.76	145,430,000
2033	540,000	350,712.50	325,000	69,253.13	500,000	264,812.50	1,060,000.00	670,106.26	1,050,000.00	956,390.00	430,000.00	108,950.00	640,000.00	163,787.50	1,320,000.00	713,675.00	915,000	1,697,770	6,780,000	4,995,457	11,775,456.89	138,650,000
2034	565,000	327,921.88	335,000	57,906.26	515,000	250,875.00	1,095,000.00	637,781.26	1,085,000.00	921,696.25	450,000.00	94,725.00	660,000.00	137,687.50	1,355,000.00	673,550.00	965,000	1,642,870	7,030,000	4,745,013	11,775,013.15	131,620,000
2035	590,000	304,100.01	345,000	46,006.26	530,000	237,812.50	1,125,000.00	604,481.26	1,120,000.00	885,865.00	460,000.00	82,200.00	690,000.00	114,037.50	1,400,000.00	632,225.00	1,025,000	1,584,970	7,285,000	4,491,698	11,776,697.53	124,335,000
2036	610,000	278,587.51	360,000	33,668.76	550,000	223,968.75	1,160,000.00	570,206.26	1,155,000.00	848,896.25	480,000.00	68,700.00	715,000.00	95,643.75	1,440,000.00	596,825.00	1,085,000	1,523,470	7,555,000	4,239,966	11,794,966.28	116,780,000
2037	640,000	251,243.76	370,000	20,662.51	570,000	209,268.75	1,195,000.00	534,881.26	1,190,000.00	807,815.00	495,000.00	54,675.00	730,000.00	76,650.00	1,470,000.00	567,725.00	1,145,000	1,463,795	7,805,000	3,986,716	11,791,716.28	108,975,000
2038	665,000	222,696.88	385,000	6,978.13	590,000	193,675.00	1,230,000.00	497,737.51	1,235,000.00	762,346.25	510,000.00	39,600.00	750,000.00	56,325.00	1,500,000.00	538,025.00	1,205,000	1,406,545	8,070,000	3,723,929	11,793,928.77	100,905,000
2039	695,000	192,946.88	410,000	177,175.00	610,000	177,175.00	1,270,000.00	458,675.01	1,285,000.00	715,096.25	525,000.00	24,075.00	770,000.00	35,400.00	1,530,000.00	507,725.00	1,265,000	1,346,295	7,950,000	3,457,888	11,407,388.14	92,955,000
2040	725,000	161,884.38	430,000	142,456.25	630,000	160,125.00	1,310,000.00	418,362.51	1,330,000.00	666,065.00	540,000.00	8,100.00	795,000.00	11,925.00	1,560,000.00	476,825.00	1,325,000	1,284,943	8,215,000	3,188,229	11,403,229.39	84,740,000
2041	760,000	128,925.00	450,000	104,175.00	655,000	142,456.25	1,350,000.00	375,956.26	1,380,000.00	615,252.50	570,000.00	0.00	810,000.00	0.00	1,590,000.00	445,325.00	1,390,000	1,220,680	7,125,000	2,928,595	10,053,595.01	77,615,000
2042	790,000	94,050.00	470,000	79,856.25	680,000	124,100.00	1,395,000.00	331,350.01	1,435,000.00	562,471.25	600,000.00	0.00	810,000.00	0.00	1,620,000.00	413,225.00	1,460,000	1,153,265	7,380,000	2,678,461	10,058,461.26	70,235,000
2043	830,000	57,600.00	500,000	57,600.00	705,000	104,175.00	1,440,000.00	285,281.26	1,485,000.00	507,712.25	630,000.00	0.00	810,000.00	0.00	1,655,000.00	380,475.00	1,530,000	1,082,455	7,645,000	2,417,708	10,062,707.51	62,590,000
2044	865,000	19,462.50	530,000	19,462.50	735,000	82,575.00	1,485,000.00	237,750.01	1,545,000.00	450,908.75	660,000.00	0.00	810,000.00	0.00	1,685,000.00	347,075.00	1,605,000	1,008,250	7,920,000	2,146,021	10,066,021.26	54,670,000
2045			565,000	60,075.00	765,000	60,075.00	1,535,000.00	188,675.01	1,600,000.00	394,740.00	700,000.00	0.00	810,000.00	0.00	1,720,000.00	311,950.00	1,685,000	928,000	7,305,000	1,883,440	9,188,440.01	47,365,000
2046			595,000	36,675.00	795,000	36,675.00	1,585,000.00	137,975.01	1,655,000.00	339,405.00	730,000.00	0.00	810,000.00	0.00	1,760,000.00	274,975.00	1,765,000	843,750	7,560,000	1,632,780	9,192,780.01	39,805,000
2047			625,000	12,375.00	825,000	12,375.00	1,635,000.00	84,628.13	1,710,000.00	282,200.00	770,000.00	0.00	810,000.00	0.00	1,795,000.00	236,081.25	1,855,000	755,500	7,820,000	1,370,784	9,190,784.38	31,985,000
2048			655,000	0.00	855,000	0.00	1,690,000.00	28,518.75	1,770,000.00	223,040.00	790,000.00	0.00	810,000.00	0.00	1,835,000.00	107,943.75	1,950,000	662,750	7,245,000	1,022,253	8,267,252.50	24,740,000
2049			685,000	0.00	885,000	0.00	1,720,000.00	0.00	1,800,000.00	161,840.00	800,000.00	0.00	810,000.00	0.00	1,875,000.00	174,600.00	2,045,000	565,250	5,750,000	901,690	6,651,690.00	18,990,000
2050			715,000	0.00	915,000	0.00	1,750,000.00	0.00	1,830,000.00	98,600.00	830,000.00	0.00	810,000.00	0.00	1,920,000.00	132,412.50	2,150,000	463,000	5,960,000	694,013	6,654,012.50	18,090,000
2051			745,000	0.00	945,000	0.00	1,780,000.00	0.00	1,860,000.00	0.00	860,000.00	0.00	810,000.00	0.00	1,960,000.00	89,212.50	2,255,000	355,500	6,170,000	477,948	6,647,947.50	6,890,000
2052			775,000	0.00	975,000	0.00	1,810,000.00	0.00	1,890,000.00	0.00	890,000.00	0.00	810,000.00	0.00	2,005,000.00	45,112.50	2,370,000	242,750	4,375,000	287,863	4,662,862.50	2,485,000
2053			805,000	0.00	1,005,000	0.00	1,840,000.00	0.00	1,920,000.00	0.00	910,000.00	0.00	810,000.00	0.00	2,040,000.00	0.00	2,485,000	124,250	2,485,000	124,250	2,609,250.00	-
Grant Total	\$ 12,695,000	\$ 6,916,356	\$ 20,950,000	\$ 3,591,263	\$ 13,650,000	\$ 5,760,169	\$ 30,480,000	\$ 14,454,778	\$ 36,440,000	\$ 21,561,890	\$ 7,195,000	\$ 2,512,700	\$ 10,730,000	\$ 3,743,031	\$ 45,000,000	\$ 17,556,588	\$ 40,000,000	\$ 39,169,020	\$ 217,140,000	\$ 115,265,795	\$ 332,405,795	

Revenue Bonds

FY	Berkeley Rep. 2012 Refunding		1947 Center 2012 Refunding		2010 Animal Shelter COP 2021 Refunding Revenue Bonds		2016 Parking Revenue Bond		Total		Annual Total P & I	End of FY Rev Bonds Balance
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2022												52,045,000
2023	352,498.83	146,881.34	1,152,501	480,231.16	0.00	138,200.00	840,000	1,074,650.00	2,345,000	1,839,963	4,184,962.50	49,700,000
2024	366,551.94	130,667.56	1,198,448	427,219.93	0.00	138,200.00	870,000	1,041,050.00	2,435,000	1,737,137	4,172,137.49	47,265,000
2025	386,460.51	111,842.25	1,263,539	365,670.25	0.00	138,200.00	905,000	1,006,250.00	2,555,000	1,621,963	4,176,962.50	44,710,000
2026	405,197.99	92,050.79	1,324,802	300,961.71	0.00	138,200.00	945,000	970,050.00	2,675,000	1,501,263	4,176,262.50	42,035,000
2027	427,448.74	71,234.62	1,397,551	232,902.88	0.00	138,200.00	980,000	932,250.00	2,805,000	1,374,588	4,179,587.50	39,230,000
2028	442,672.95	53,908.31	1,447,327	176,254.19	0.00	138,200.00	1,020,000	893,050.00	2,910,000	1,261,413	4,171,412.50	36,320,000
2029	459,068.24	40,095.28	1,500,932	131,092.22	190,000.00	133,450.00	1,060,000	852,250.00	3,210,000	1,156,888	4,366,887.50	33,110,000
2030	320,879.33	16,461.17	1,049,121	102,695.08	280,000.00	121,700.00	1,105,000	809,850.00	2,755,000	1,050,706	3,805,706.25	30,355,000
2031			1,450,000	74,187.50	290,000.00	107,450.00	1,145,000	765,650.00	2,885,000	947,288	3,832,287.50	27,470,000
2032			1,500,000	25,312.50	305,000.00	92,575.00	1,190,000	719,850.00	2,995,000	837,738	3,832,737.50	24,475,000
2033					320,000.00	76,950.00	1,240,000	672,250.00	1,560,000	749,200	2,309,200.00	22,915,000
2034					335,000.00	60,575.00	1,290,000	622,650.00	1,625,000	683,225	2,308,225.00	21,290,000
2035					350,000.00	46,950.00	1,340,000	571,050.00	1,690,000	618,000	2,308,000.00	19,600,000
2036					360,000.00	36,300.00	1,380,000	530,850.00	1,740,000	567,150	2,307,150.00	17,860,000
2037					375,000.00	27,150.00	1,425,000	489,450.00	1,800,000	516,600	2,316,600.00	16,060,000
2038					380,000.00	19,600.00	1,465,000	446,700.00	1,845,000	466,300	2,311,300.00	14,215,000
2039					390,000.00	11,900.00	1,510,000	402,750.00	1,900,000	414,650	2,314,650.00	12,315,000
2040					400,000.00	4,000.00	1,555,000	357,450.00	1,955,000	361,450	2,316,450.00	10,360,000
2041							1,600,000	310,800.00	1,600,000	310,800	1,910,800.00	8,760,000
2042							1,650,000	262,800.00	1,650,000	262,800	1,912,800.00	7,110,000
2043							1,700,000	213,300.00	1,700,000	213,300	1,913,300.00	5,410,000
2044							1,750,000	162,300.00	1,750,000	162,300	1,912,300.00	3,660,000
2045							1,805,000.00	109,800.00	1,805,000	109,800	1,914,800.00	1,855,000
2046							1,855,000.00	55,650.00	1,855,000	55,650	1,910,650.00	-
Grand Total	\$ 3,160,779	\$ 663,141	\$ 13,284,221	\$ 2,316,527	\$ 3,975,000	\$ 1,567,800	\$ 31,625,000	\$ 14,272,700	\$ 52,045,000	\$ 18,820,169	\$ 70,865,169	

	FY 2024 Year 1	FY 2025 Year 2	FY 2026 Year 3	FY 2027 Year 4	FY 2028 Year 5	Total Year 1- 5
Parks, Park Buildings, Pools, Waterfront, and Camps - Existing Infrastructure						
Available Funding ⁽¹⁾	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$19,075,000
Expenditures	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$3,815,000	\$19,075,000
Capital & Maint. Need ⁽²⁾	\$238,550,000					
Unfunded Liability	(\$243,889,665)	(\$249,437,577)	(\$255,201,857)	(\$261,190,945)	(\$267,413,607)	(\$267,413,607)
Parks, Park Buildings, Pools, Waterfront - New Planned Infrastructure⁽³⁾						
San Pablo Park: Community Center and Pool; King Park: 25M Competitive Pool / Locker Room; Tom Bates Sports Complex: Youth Soccer Field, Pickleball Courts and Restroom; New Restrooms in Parks over 1 Acre: James Kenney, Aquatic, Civic Center, King, and John Hinkel Parks; James Kenney Park: Skate Spot; Waterfront Bike Park; Pier/Ferry Preferred Concept with landside and waterside improvements						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$145,130,000					
Unfunded Liability	(\$150,790,070)	(\$156,670,883)	(\$162,781,047)	(\$169,129,508)	(\$175,725,559)	(\$175,725,559)
City Buildings						
Available Funding	\$1,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$13,000,000
Expenditures	\$1,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$2,800,000	\$13,000,000
Capital & Maint. Need	\$314,500,000					
Unfunded Liability	(\$324,895,300)	(\$334,657,017)	(\$344,799,440)	(\$355,337,419)	(\$366,286,378)	(\$366,286,378)
Sidewalks & Pathways						
Available Funding	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$5,175,000
Expenditures	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$1,035,000	\$5,175,000
Capital & Maint. Need	\$60,000,000					
Unfunded Liability	(\$61,264,635)	(\$62,578,591)	(\$63,943,791)	(\$65,362,234)	(\$66,835,996)	(\$66,835,996)
Streets & Roads						
Available Funding	\$15,920,000	\$14,820,000	\$14,820,000	\$14,820,000	\$14,820,000	\$75,200,000
Expenditures	\$15,920,000	\$14,820,000	\$14,820,000	\$14,820,000	\$14,820,000	\$75,200,000
Capital & Maint. Need	\$248,750,000					
Unfunded Liability	(\$241,910,370)	(\$235,946,894)	(\$229,750,843)	(\$223,313,146)	(\$216,624,379)	(\$216,624,379)
Street Lights						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$5,250,000					
Unfunded Liability	(\$7,297,500)	(\$7,582,103)	(\$7,877,804)	(\$8,185,039)	(\$8,504,255)	(\$8,504,255)
Sewers						
Available Funding	\$20,813,315	\$24,489,500	\$21,967,500	\$20,885,000	\$20,885,000	\$109,040,315
Expenditures	\$20,813,315	\$24,489,500	\$21,967,500	\$20,885,000	\$20,885,000	\$109,040,315
Capital & Maint. Need	\$183,500,000					
Unfunded Liability	(\$169,031,466)	(\$150,179,102)	(\$133,211,855)	(\$116,707,602)	(\$99,559,684)	(\$99,559,684)
Storm Water & Green Infrastructure						
Available Funding	\$2,305,000	\$1,350,000	\$1,300,000	\$1,300,000	\$1,300,000	\$7,555,000
Expenditures	\$2,305,000	\$1,350,000	\$1,300,000	\$1,300,000	\$1,300,000	\$7,555,000
Capital & Maint. Need	\$362,000,000					
Unfunded Liability	(\$373,723,105)	(\$386,895,656)	(\$400,633,887)	(\$414,907,908)	(\$429,738,617)	(\$429,738,617)
Traffic Signals & Parking Infrastructure						
Available Funding	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Expenditures	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Capital & Maint. Need	\$23,500,000					
Unfunded Liability	(\$24,000,900)	(\$24,521,335)	(\$25,062,067)	(\$25,623,888)	(\$26,207,619)	(\$26,207,619)
Undergrounding Project						
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$110,750,000					
Unfunded Liability	(\$115,069,250)	(\$119,556,951)	(\$124,219,672)	(\$129,064,239)	(\$134,097,744)	(\$134,097,744)

Vets & Old City Hall							
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$130,000,000						
Unfunded Liability	(\$135,070,000)	(\$140,337,730)	(\$145,810,901)	(\$151,497,527)	(\$157,405,930)	(\$157,405,930)	
Transfer Station							
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$76,000,000						
Unfunded Liability		\$78,964,000	\$82,043,596	\$85,243,296	\$85,243,296	\$85,243,296	
Bike & Ped Projects							
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$129,000,000						
Unfunded Liability	(\$134,031,000)	(\$139,258,209)	(\$144,689,279)	(\$150,332,161)	(\$156,195,115)	(\$156,195,115)	
Transit Projects							
Available Funding	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital & Maint. Need	\$53,000,000						
Unfunded Liability	(\$55,067,000)	(\$57,214,613)	(\$59,445,983)	(\$61,764,376)	(\$64,173,187)	(\$64,173,187)	
TOTAL							
Available Funding	\$46,088,315	\$48,709,500	\$46,137,500	\$45,055,000	\$45,055,000	\$45,055,000	\$231,045,315
Expenditures	\$46,088,315	\$48,709,500	\$46,137,500	\$45,055,000	\$45,055,000	\$45,055,000	\$231,045,315
T1 Funding: \$100M Infrastructure Bond ⁽⁴⁾	\$16,978,333	\$8,093,333	\$4,105,000	\$0	\$0	\$0	\$29,176,666
Capital & Maint. Need	\$2,079,930,000						
Unfunded Liability	(\$2,095,521,023)	(\$2,120,443,510)	(\$2,152,898,306)	(\$2,191,806,340)	(\$2,232,231,788)	(\$2,232,231,788)	

⁽¹⁾ Unless otherwise noted, available funding includes recurring sources of capital and major maintenance funding.

⁽²⁾ Capital & Maint. Needs are current estimates of unfunded needs. Needs are estimated to increase at a rate of 3.9% per year.

⁽³⁾ If new planned infrastructure is built, there will be approx. \$44M in savings realized in existing infrastructure cost estimates.

⁽⁴⁾ The \$100M T1 bond funding allocations started in 2017 and are planned to be exhausted in 2026.

		FY 2024 Year 1	FY 2025 Year 2	FY 2026 Year 3	FY 2027 Year 4	FY 2028 Year 5	Total Year 1- 5
Cybersecurity Resiliency Plan¹							
Available Funding		\$919,000	\$489,000	\$489,000	\$0	\$0	\$1,897,000
Expenditures		(\$3,801,500)	(\$2,439,500)	(\$2,398,975)	(\$2,189,500)	(\$2,298,975)	(\$13,128,450)
Capital & Maint. Need	\$11,231,450						
Unfunded Liability		(\$2,882,500)	(\$1,950,500)	(\$1,909,975)	(\$2,189,500)	(\$2,298,975)	(\$11,231,450)
Customer Relationship Management (CRM) System							
Available Funding		\$80,000	\$80,000	\$80,000	\$80,000	\$80,000	\$400,000
Expenditures		(\$200,000)	(\$133,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$633,000)
Capital & Maint. Need	\$233,000						
Unfunded Liability		(\$120,000)	(\$53,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$233,000)
GIS: Master Address Database (MAD)							
Available Funding		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Expenditures		(\$250,000)	(\$100,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$500,000)
Capital & Maint. Need	\$250,000						
Unfunded Liability		(\$200,000)	(\$50,000)	\$0	\$0	\$0	(\$250,000)
Information Technology Move to 1947							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		(\$200,850)	(\$206,876)	(\$213,082)	(\$219,474)	(\$226,058)	(\$1,066,339)
Capital & Maint. Need	\$1,066,339						
Unfunded Liability		(\$200,850)	(\$206,876)	(\$213,082)	(\$219,474)	(\$226,058)	(\$1,066,339)
Improvement to City-wide Facilities Wi-Fi							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		(\$350,000)	(\$40,000)	(\$41,200)	(\$42,436)	(\$43,709)	(\$517,345)
Capital & Maint. Need	\$517,345						
Unfunded Liability		(\$350,000)	(\$40,000)	(\$41,200)	(\$42,436)	(\$43,709)	(\$517,345)
Implementation of City-wide collaboration tools (MS TEAMS and SharePoint):							
Available Funding		\$200,000	\$0	\$0	\$0	\$0	\$200,000
Expenditures		(\$300,000)	(\$40,000)	(\$41,200)	(\$42,436)	(\$43,709)	(\$467,345)
Capital & Maint. Need	\$267,345						
Unfunded Liability		(\$100,000)	(\$40,000)	(\$41,200)	(\$42,436)	(\$43,709)	(\$267,345)
TOTAL							
Available Funding		\$0	\$0	\$0	\$0	\$0	\$0
Expenditures		(\$3,853,350)	(\$2,340,376)	(\$2,225,457)	(\$2,513,846)	(\$2,632,451)	(\$13,565,480)
Capital & Maint. Need	\$13,565,480						
Unfunded Liability		(\$3,853,350)	(\$2,340,376)	(\$2,225,457)	(\$2,513,846)	(\$2,632,451)	(\$13,565,480)

Public Buildings - Appraisal of Assets Valued @ \$5M or More

Attachment 3, Exhibit B

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
MAIN LIBRARY	2090 KITTREDGE STREET (FRONT)	102,000	1931	2021	LIBRARY - HIGH END	OWNED	\$ 83,882,271
CIVIC CENTER BUILDING ANNEX	1947 CENTER STREET	112,798	1947	2021	PUBLIC WORKS ENGINEERING AND TRANSPORTATION	OWNED	\$ 80,731,494
CENTER STREET GARAGE AND COMMERCIAL SPACE	2025 CENTER STREET	248,000	2018	2021	CITY AND PUBLIC PARKING AND OFFICE	OWNED	\$ 44,950,008
MARTIN LUTHER KING JR. CIVIC CENTER	2180 MILVIA STREET	89,075	1940	2021	OFFICE BUILDING	OWNED	\$ 76,798,274
PUBLIC SAFETY BUILDING (INCLUDES PRIIMARY EOC)	2100 MARTIN LUTHER KING JR WAY	60,108	2000	2021	POLICE STATION/FIRE STATION OFFICES	OWNED	\$ 40,144,015
OLD CITY HALL	2134 MARTIN LUTHER KING JR. WAY	38,400	1908	2021	OFFICE	OWNED	\$ 29,831,879
TELEGRRAPH/CHANNING (SATHER GATE) MALL AND GARAGE	2438 DURANT AVENUE/CHAN NING AVENUE	186,890	1990	2021	PARKING GARAGE W/RETAIL	OWNED	\$ 22,081,096
FIRE DEPARTMENT WAREHOUSE	1011 FOLGER AVENUE	8,021	2011	2019	WAREHOUSE	OWNED	\$ 13,373,058
DONA SPRING ANIMAL SHELTER	1 BOLIVAR DRIVE	11,700	2013	2021	ANIMAL SHELTER	OWNED	\$ 9,875,519
LIBRARY-WEST BRANCH	1125 UNIVERSITY AVENUE	9,300	2013	2021	LIBRARY	OWNED	\$ 8,446,998
TAREA HALL PITTMAN SOUTH BRANCH	1901 RUSSELL STREET	8,700	2013	2021	LIBRARY	OWNED	\$ 7,789,776
OXFORD STREET GARAGE	2165 KITTREDGE STREET	42,128	2009	2021	PARKING/RETAIL	OWNED	\$ 6,241,391
BERKELEY REP THEATER	2025 ADDISON STREET	24,893	2000	2016	THEATRE	OWNED	\$ 6,678,445
VETERANS MEMORIAL HALL	1931 CENTER STREET	33,254	1923	2021	ASSEMBLY AND HOMELESS SHELTER	OWNED	\$ 20,390,535

Public Buildings - Appraisal of Assets Valued @ \$5M or More

Attachment 3, Exhibit B

Other ID.	Address	Sq Feet	Year Built	Last Appr.	Occupied As	Leased Owned	Total Values
NORTH BERKELEY SENIOR CITIZENS CENTER	1901 HEARST AVENUE	20,880	1977	2021	SENIOR CENTER	OWNED	\$ 6,661,453
JAMES KENNEY RECREATION CENTER	1718 & 1720 8TH STREET	17,724	1973	2019	RECREATION CENTER/ASSEMBLY	OWNED	\$ 6,740,269
LIBRARY-NORTH BRANCH	1170 THE ALAMEDA	9,555	1936	2019	LIBRARY	OWNED	\$ 6,571,658
LIBRARY - CLAREMONT BRANCH	2940 BENVENUE AVENUE	8,110	1924	2019	LIBRARY	OWNED	\$ 5,403,431
SOUTH BERKELEY SENIOR CENTER	2939 ELLIS STREET	17,156	1977	2019	SENIOR CENTER	OWNED	\$ 6,441,480
BERKELEY MARINA	201 UNIVERSITY AVENUE	152,571	1974	2019	BOAT DOCKS	OWNED	\$ 6,171,038
BERKELEY TUOLUMNE CAMP	31585 HARDIN FLAT RD, GROVELAND, CA	34,365	2022		DINING HALL/TENT CABINS/DESK	OWNED	\$ 13,470,651
HS LORDSHIPS	199 SEAWALL	25,000	1967	2021	RESTAURANT AND SPECIAL EVENT VENUE	OWNED	\$ 10,246,736
TOTAL							\$ 512,921,475

5 YEARS PROJECTED GENERAL FUND REVENUES

	Projected General Fund Revenue FY 2023 through FY 2027					
	FY 2023 Adopted	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Undesignated Revenues						
Secured Property Taxes	75,664,920	79,091,256	81,859,450	84,724,531	87,689,889	90,759,035
Supplemental Taxes	2,000,000	2,300,000	2,300,000	2,300,000	2,300,000	2,300,000
Unsecured Property Taxes	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000	3,516,000
Property Transfer Taxes	18,000,000	18,000,000	16,000,000	16,000,000	16,000,000	16,000,000
Property Transfer Tax - Measure P	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750	14,073,750
Sales Taxes	19,016,546	19,634,807	19,391,714	20,231,914	21,146,495	22,043,410
Soda Tax	990,210	1,025,800	1,025,800	1,025,800	1,025,800	512,900
Utility Users Taxes	13,800,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Transient Occupancy Taxes(TOT)	5,000,000	7,500,000	7,725,000	7,956,750	8,195,453	8,441,316
Short-term Rentals	1,000,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Business License Taxes	19,000,000	19,000,000	19,000,000	19,380,000	19,767,600	19,767,600
Recreational Cannabis	1,400,000	1,400,000	1,400,000	1,428,000	1,456,560	1,456,560
Measure U1	4,900,000	4,900,000	4,900,000	4,998,000	5,097,960	5,097,960
Other Taxes	2,631,441	3,331,441	3,331,441	3,331,441	3,331,441	3,331,441
Vehicle In Lieu Taxes	15,926,168	16,626,651	17,208,584	17,810,884	18,434,265	19,079,464
Parking Fines - Regular Collections	4,326,450	4,800,000	4,800,000	4,800,000	4,800,000	4,800,000
Parking Fines - Booting Collections	-	-	-	-	-	-
Moving Violations	132,600	132,600	132,600	135,252	137,957	137,957
Ambulance Fees	3,880,779	5,330,779	5,350,779	3,880,779	3,880,779	3,880,779
Interest Income	6,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Franchise Fees	1,613,283	1,720,056	1,720,056	1,720,056	1,720,056	1,720,056
Other Revenues	6,729,977	7,529,977	7,529,977	7,529,977	7,529,977	7,529,977
Indirect cost reimbursements	5,490,000	5,990,000	5,990,000	5,990,000	5,990,000	5,990,000
Transfers	17,096,148	17,096,148	21,023,924	4,472,621	4,562,074	4,562,074
Total Undesignated Revenues	242,188,272	256,399,265	261,679,074	248,705,755	254,056,056	258,400,279

Designated Revenues						
Prop. Transfer Taxes for capital improvements	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
Total Designated Revenues	16,462,172	16,462,172	12,962,172	13,541,415	13,541,415	14,132,244
TOTAL REVENUES AND TRANSFERS						
	258,650,444	272,861,437	274,641,246	262,247,170	267,597,471	272,532,523

Property Taxes

Given the continued high collection rate, and the resilience of property values in the City, as well as a large volume of recent property sales (which bring assessed values to market value), we are projecting that annual growth will be approximately 5.5% over the next several years. The persistence of strong growth of property valuations in recent years, as well as the spike in current year sales (which bring properties assessed valuations to market value), have caused staff to increase the projected growth rate from the 3.5% that we have used in prior long-term projections.

Sales Taxes

The immense effects of COVID-19 on sales tax revenue in FY 2021 were largely reversed in FY 2022, with revenue levels almost back to FY 2019 levels, and staff now project growth to level off to approximately 4% in FY 2024. There is still some potential risk that an overall slowdown in underlying economic recovery will be reflected in reduced growth in consumer spending and sales tax collections.

Business License Taxes

We are projecting a 5% growth in Business License Tax revenue from heavily impacted FY 2021 levels, as economic activity recovers from the recession caused by the pandemic. Long-term projections will be adjusted as the post-pandemic economic environment becomes clearer. 2023 business license returns (for 2022 gross receipts) are just now being received, so we will know more about how revenues are trending once they are processed over the next month or so.

Transient Occupancy Tax

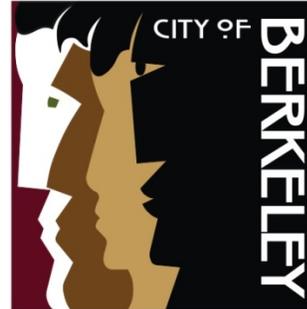
With recovery of business at the City's hotels expected to lag behind general economic recovery, and relying on industry guidance regarding predicted occupancy levels, we are currently projecting only 3% annual growth from current revenue levels. Even after taking into consideration the new downtown hotel, we will continue to monitor the major hotels' projections of future occupancies and will adjust long-term projections as necessary.

Utility Users Tax

We expect UUT revenue to rise marginally from FY 2022 through FY 2024, after increasing slightly in the current year due to rate increases approved by the Public Utilities Commission. Revenues are expected to remain flat after FY 2024 and beyond after all the rate increases have been actualized.

Transfer Tax

Given the continued strength in property values and in sales activity, we expect Transfer Tax revenues to remain basically flat from FY 2024 – FY 2027. The spike in revenue being seen in FY 2022, and to a lesser extent in FY 2023, is likely due to sales triggered by looming interest rate increases that have been signaled by the Federal Reserve, as well as some pent- up demand from mildly depressed sales during the pandemic. Over the 5 years prior to the pandemic, transfer tax revenues grew 6% per year on average, but interest rate increases will probably negatively impact sales prices and volumes somewhat in the next few years. We also expect revenues from Measure P supplemental tax on high value property transfers to remain basically flat.



CITY OF BERKELEY



Pension and OPEB Funding Study

Mary Elizabeth Redding, FSA, EA, MAAA

Bianca Lin, FSA, EA, MAAA

Katherine Moore, ASA, MAAA

Wai Man Yam

Foster & Foster, Inc.

February 23, 2023

Agenda

- OPEB
- OPEB Funding Recommendation
- CalPERS
- CalPERS Funding Recommendation
- Summary



OPEB

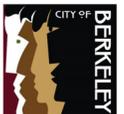


February 23, 2023



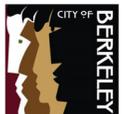
Definitions

- OPEB: Other (than pension) Post Employment Benefits: Medical benefits paid to retirees
 - No legal requirement to provide OPEB
 - Depends on bargaining agreements
 - Unlike pensions, could be eliminated for future hires
 - Depending on bargaining agreements, could be changed for current employees/retirees



Definitions

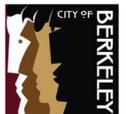
- Normal Cost (NC): value of benefits earned by employees in the coming year
- Actuarial Accrued Liability (AAL): value of benefits earned to date
- Unfunded Actuarial Accrued Liability (UAL):
AAL minus Assets
- Discount Rate (DR): Rate used to calculate present value of future benefits.
 - Based on expected rate of return on invested assets.
 - Higher rate => lower present value



Definitions

- Actuarially Determined Contribution (ADC): Full Prefunding:
 - Normal Cost plus
 - Amortization (payment over time) of UAAL

- Why is there a UAAL?
 - OPEB was not fully funded in the past
 - Cost of benefits being earned every year should have been paid since plan inception
 - Cost of benefits being earned is currently \$8 million/year
 - Things did not always happen as expected



OPEB Funding Study Assumptions

- Projection assumptions for study
 - Current investment policy: 3%/year future returns
 - Full prefunding = normal cost + 20 year amortization of unfunded actuarial accrued liability
 - No change in number of active employees
- Note: Investing funds for the long term should provide higher returns, on average, and reduce needed City contributions.



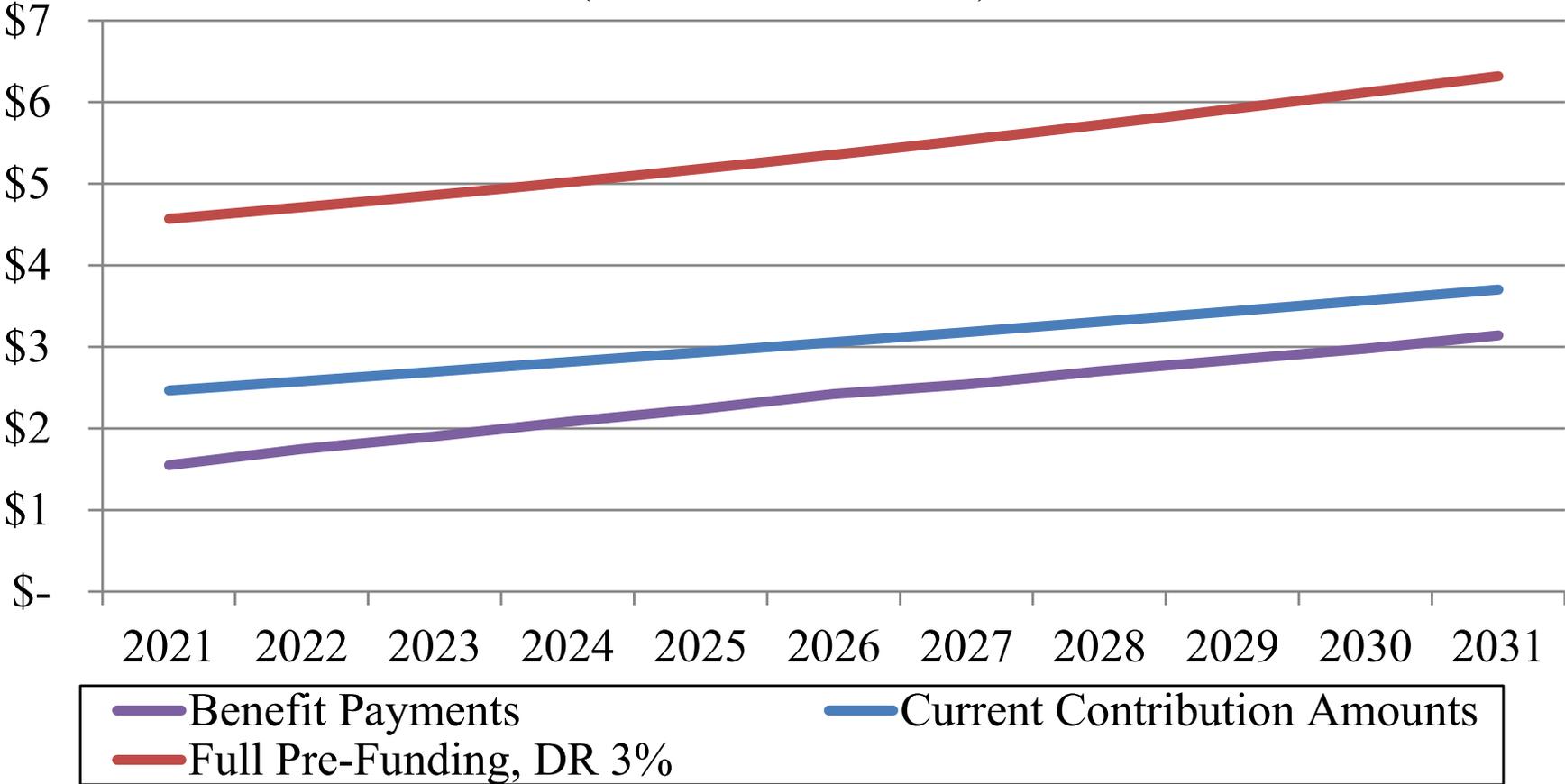
OPEB Benefit Summary

	Miscellaneous	Fire	PERIP	Police
Benefit	Up to cap	Up to cap	Kaiser 2-party premium amount	Up to cap
Cap depends on	Retirement date, Bargaining Unit, Coverage	Retirees after 1997 only	Retirement before September 2012	Retirement after September 2012
100% of Cap	20 years	25 years	N/A	20 years
Cap Increases	Kaiser premium increases, up to 4.5%/Year	4.5% per year	No limit	Kaiser premium increases, up to 6%/Year
Current Trust Contributions	% of payroll; in MOUs	About 1/3 of recommended contribution	Retiree premium amount	About 8% of recommended contribution



OPEB - Miscellaneous

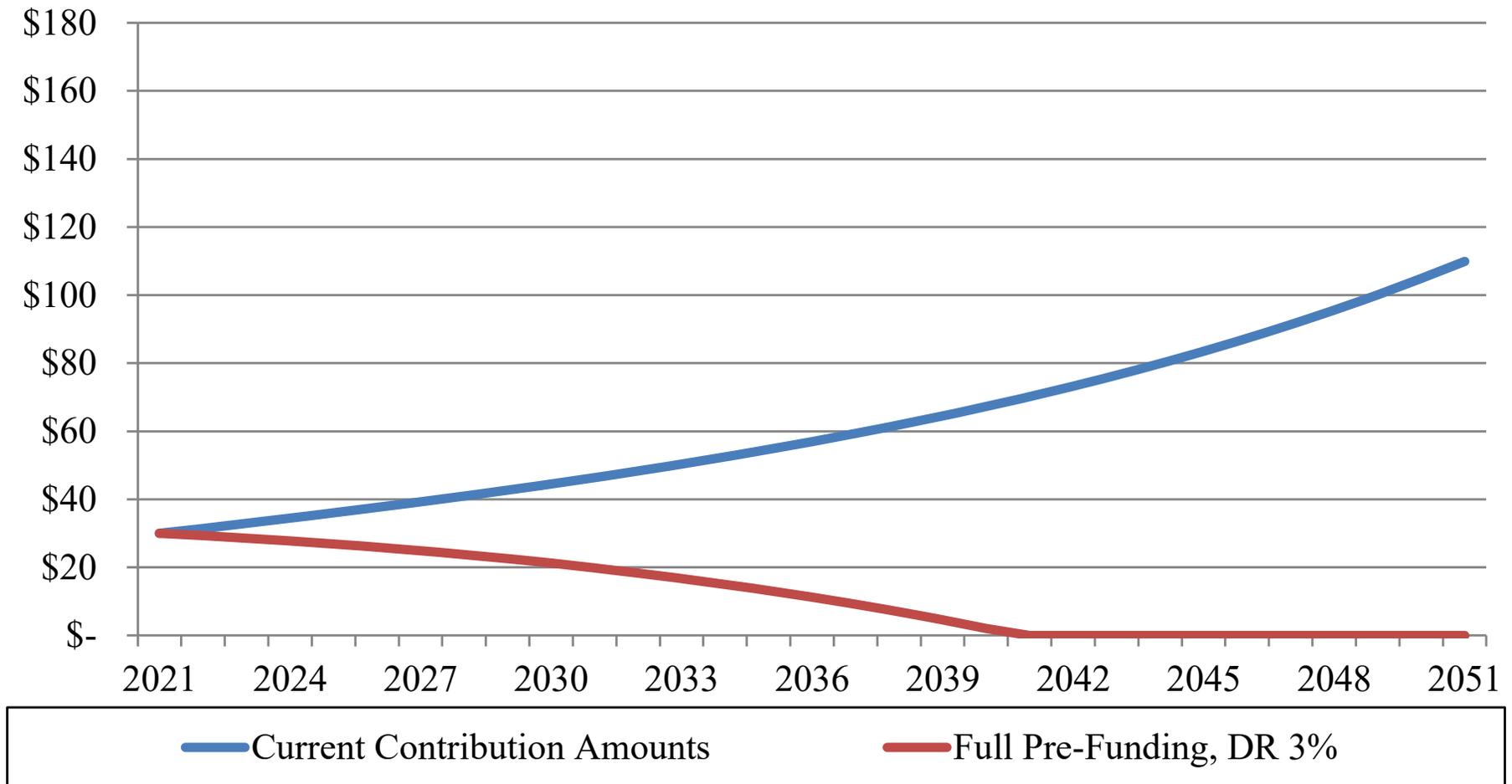
Contribution (Amounts in millions)



OPEB - Miscellaneous

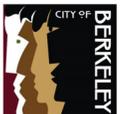
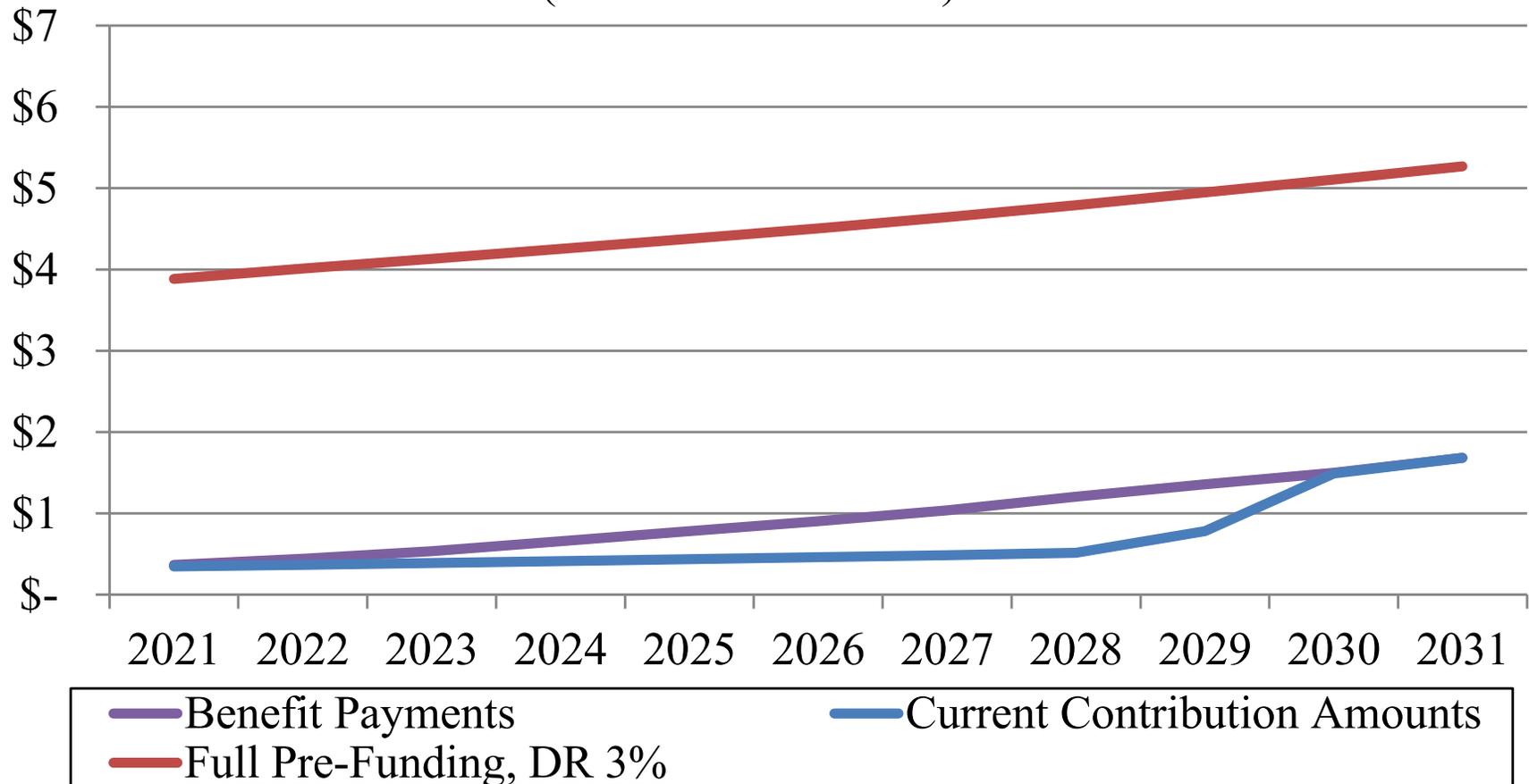
Unfunded Actuarial Accrued Liability

(Amounts in millions)



OPEB – Police

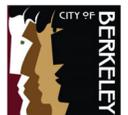
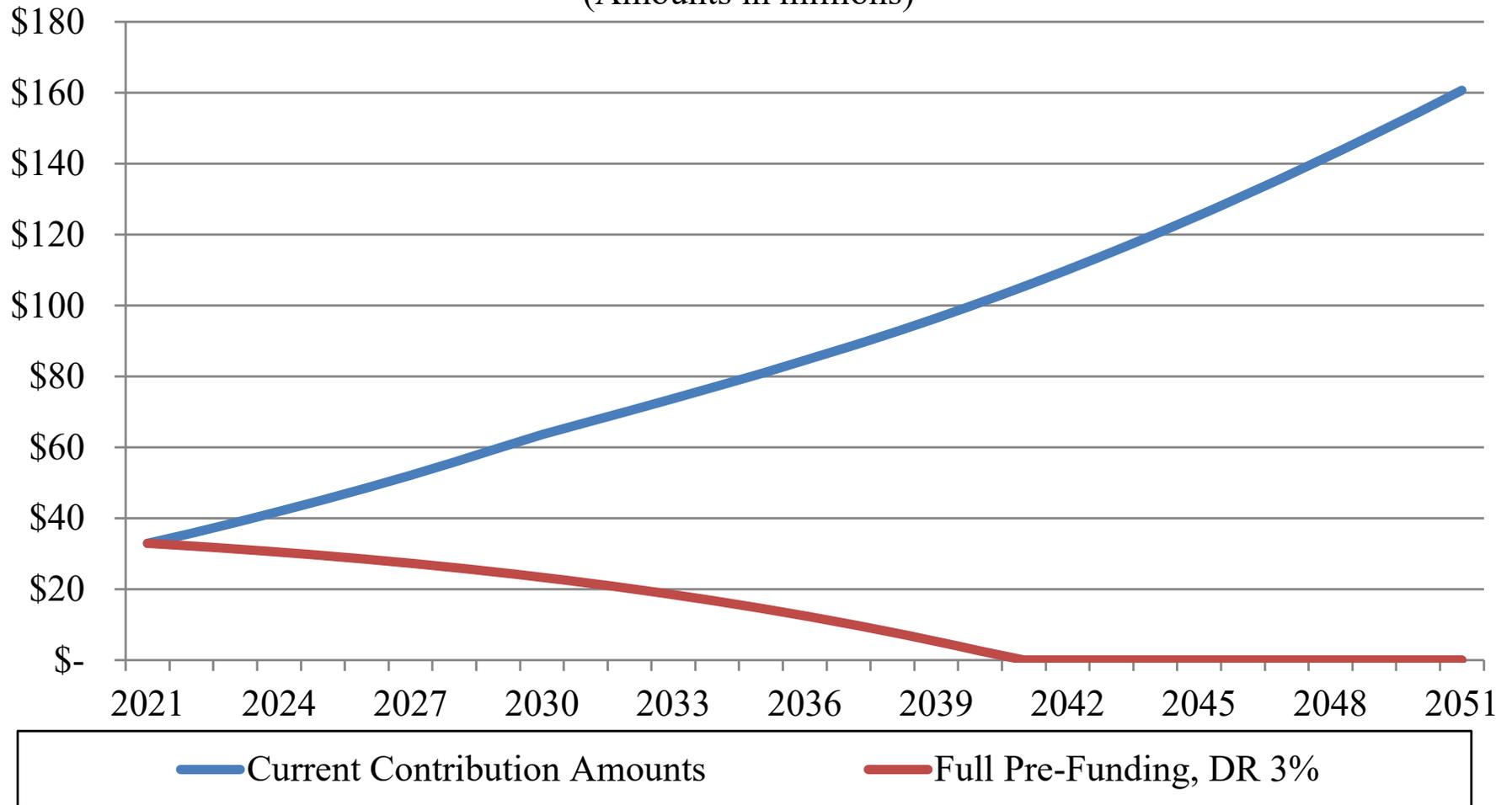
Contribution (Amounts in millions)



OPEB – Police

Unfunded Actuarial Accrued Liability

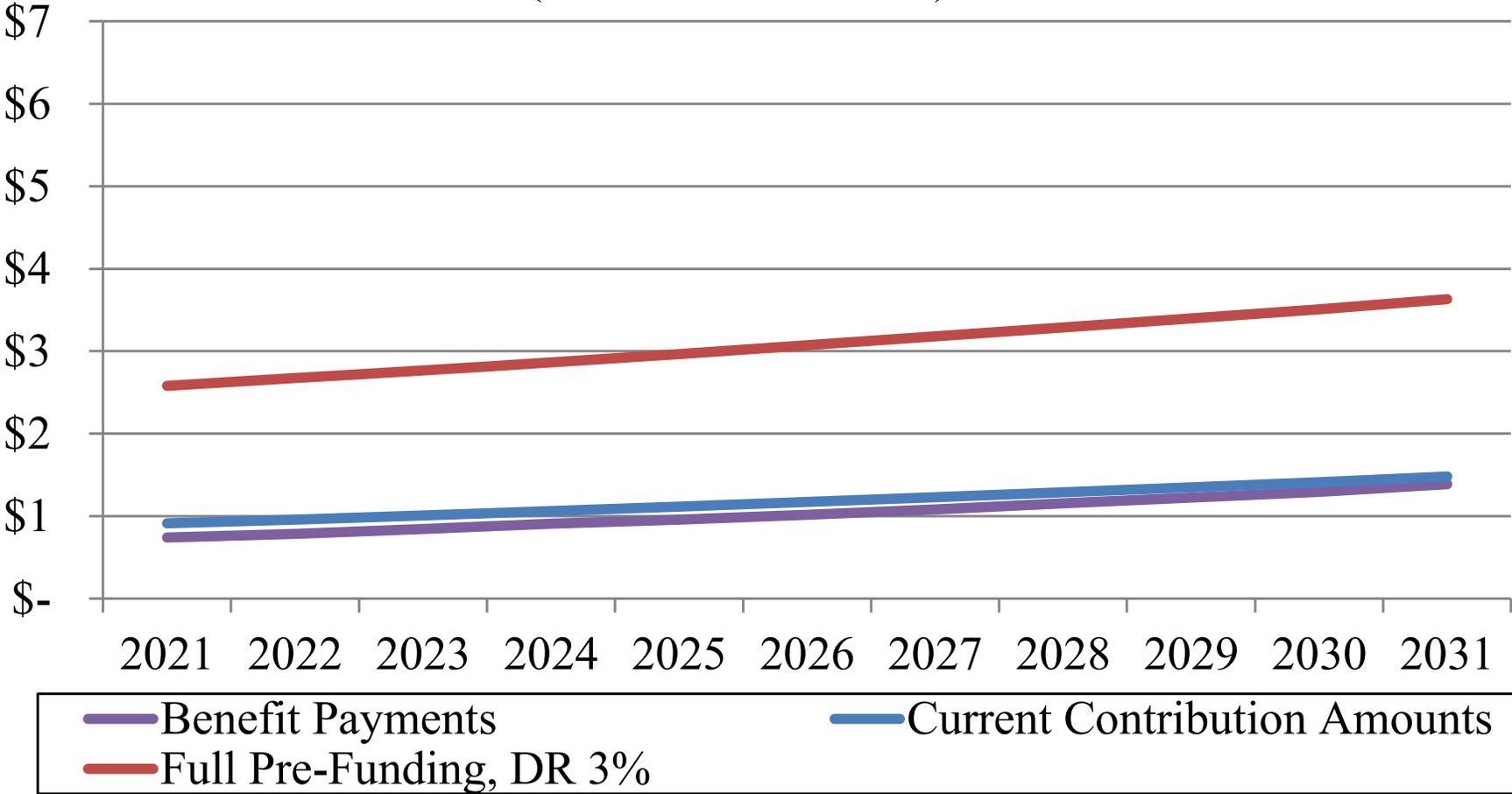
(Amounts in millions)



OPEB – Fire

Contribution

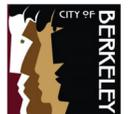
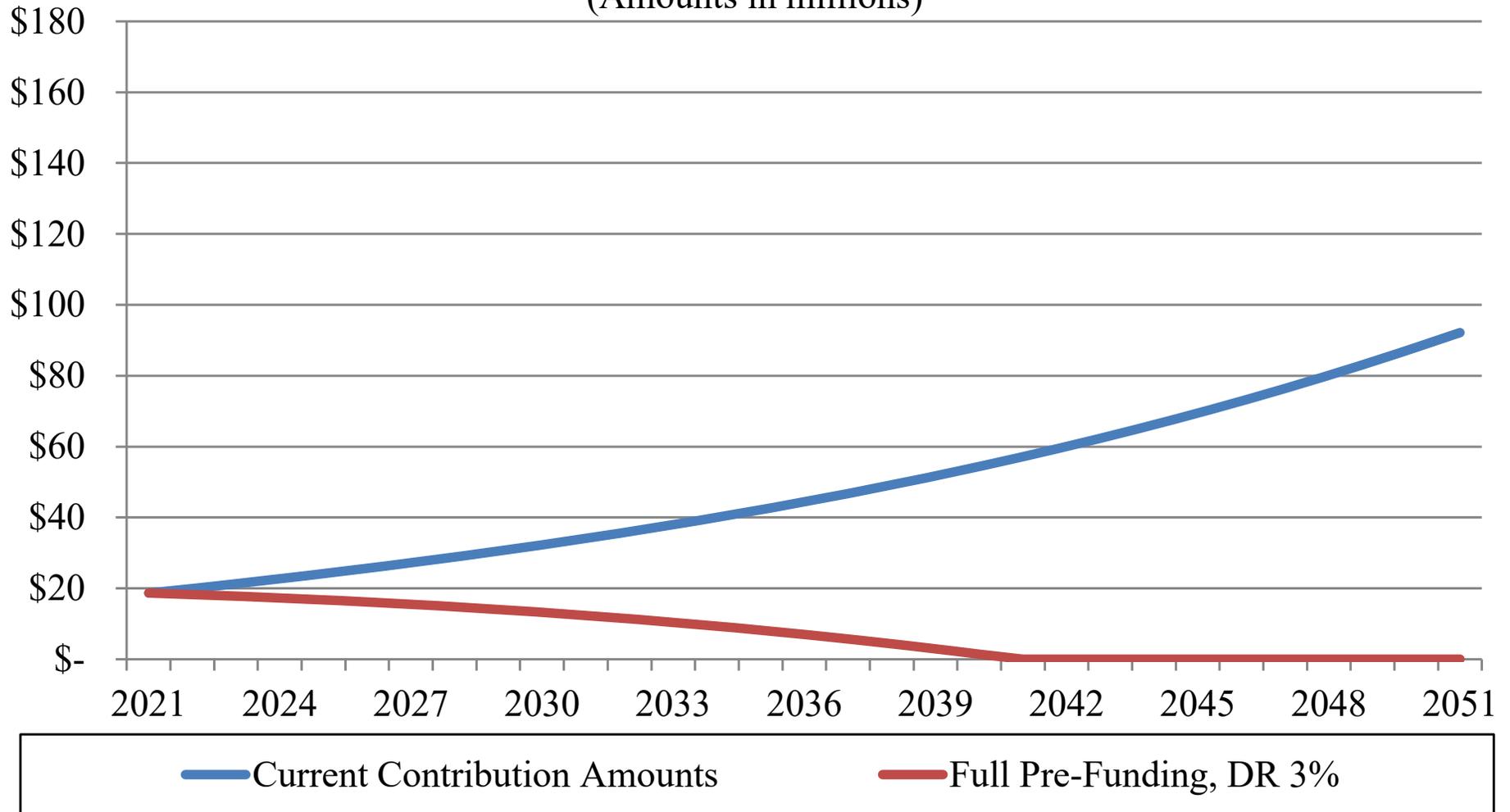
(Amounts in millions)



OPEB - Fire

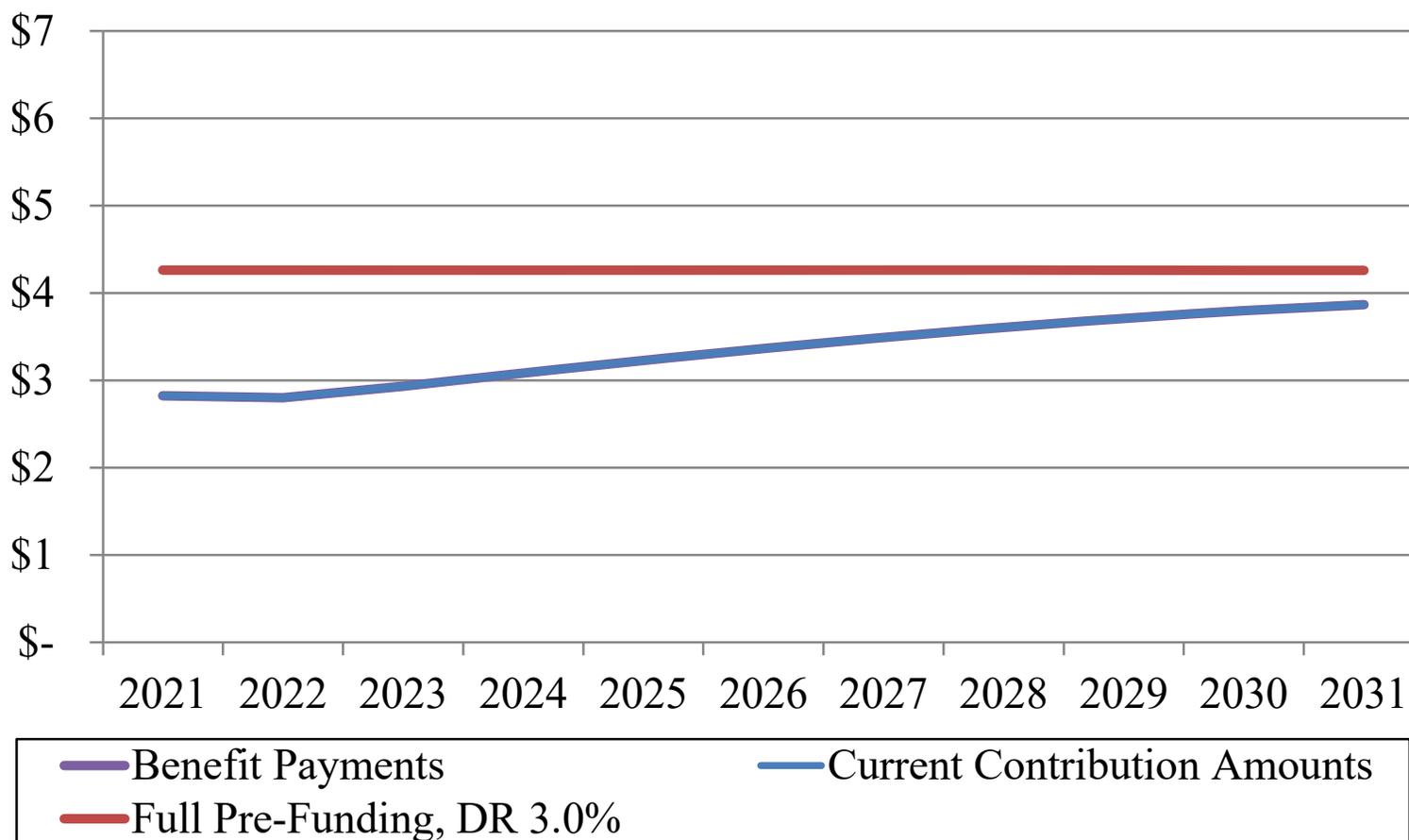
Unfunded Actuarial Accrued Liability

(Amounts in millions)



Police Retirement Income Plan (PERIP)

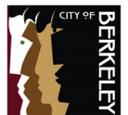
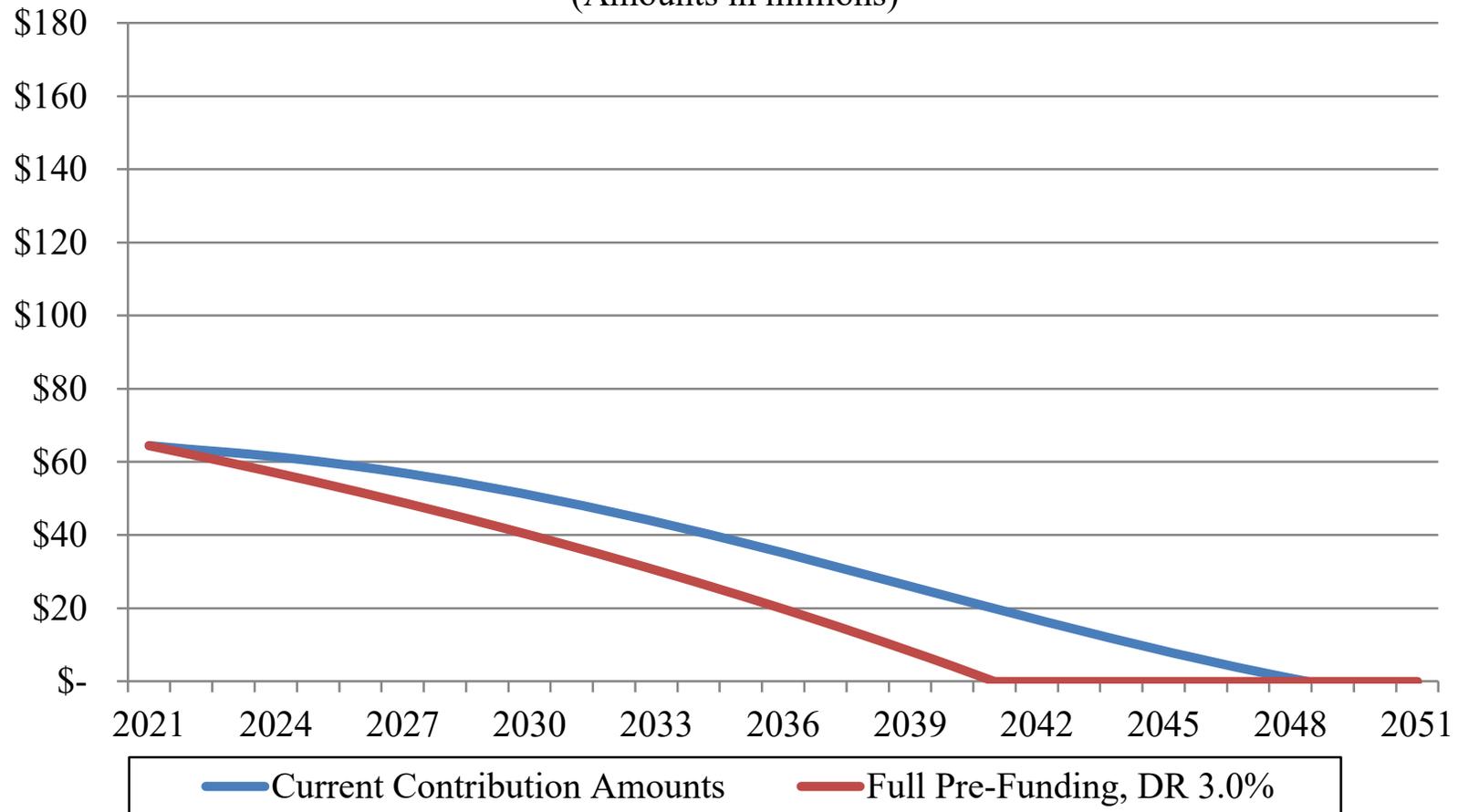
Contribution (Amounts in millions)



Police Retirement Income Plan (PERIP)

Unfunded Actuarial Accrued Liability

(Amounts in millions)



Total of All OPEB Plans

Summary of Recommendation

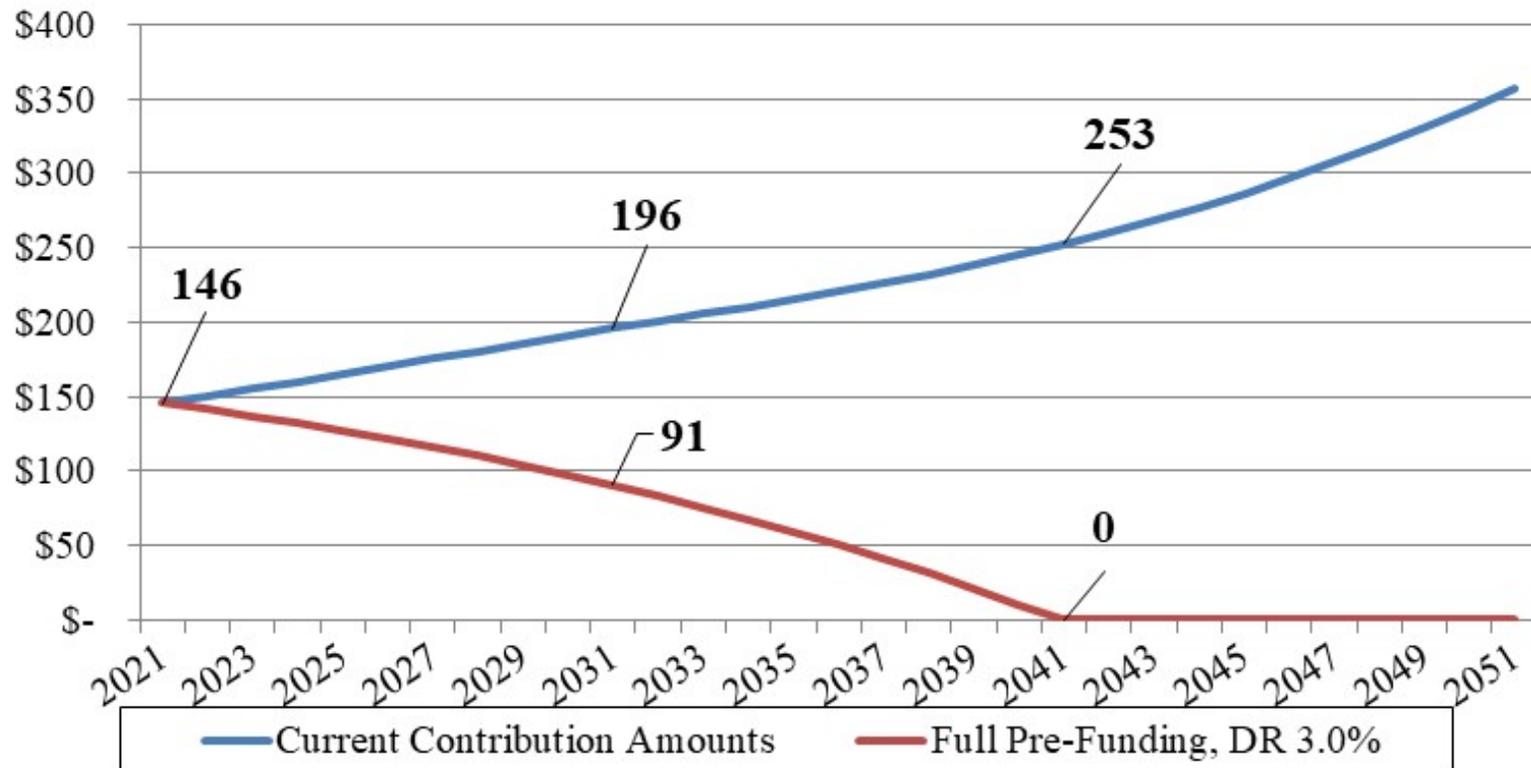
(\$ Millions)

Plan	Current Contribution Amounts	Increase	Full Pre-Funding ADC (DR 3%)
Miscellaneous	\$2.5	\$2.1	\$4.6
Fire	0.9	1.7	2.6
PERIP	<u>2.8</u>	<u>1.4</u>	<u>4.3</u>
Police	0.3	3.5	3.9
Total	\$6.5	\$8.8	\$15.3

Recommended contributions are based on 3% expected annual return on trust funds. Higher expected returns would lower needed funding.

Total of All OPEB Plans

Unfunded Actuarial Accrued Liability Combined Plans (Amounts in \$ millions)



CalPERS Pensions

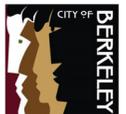


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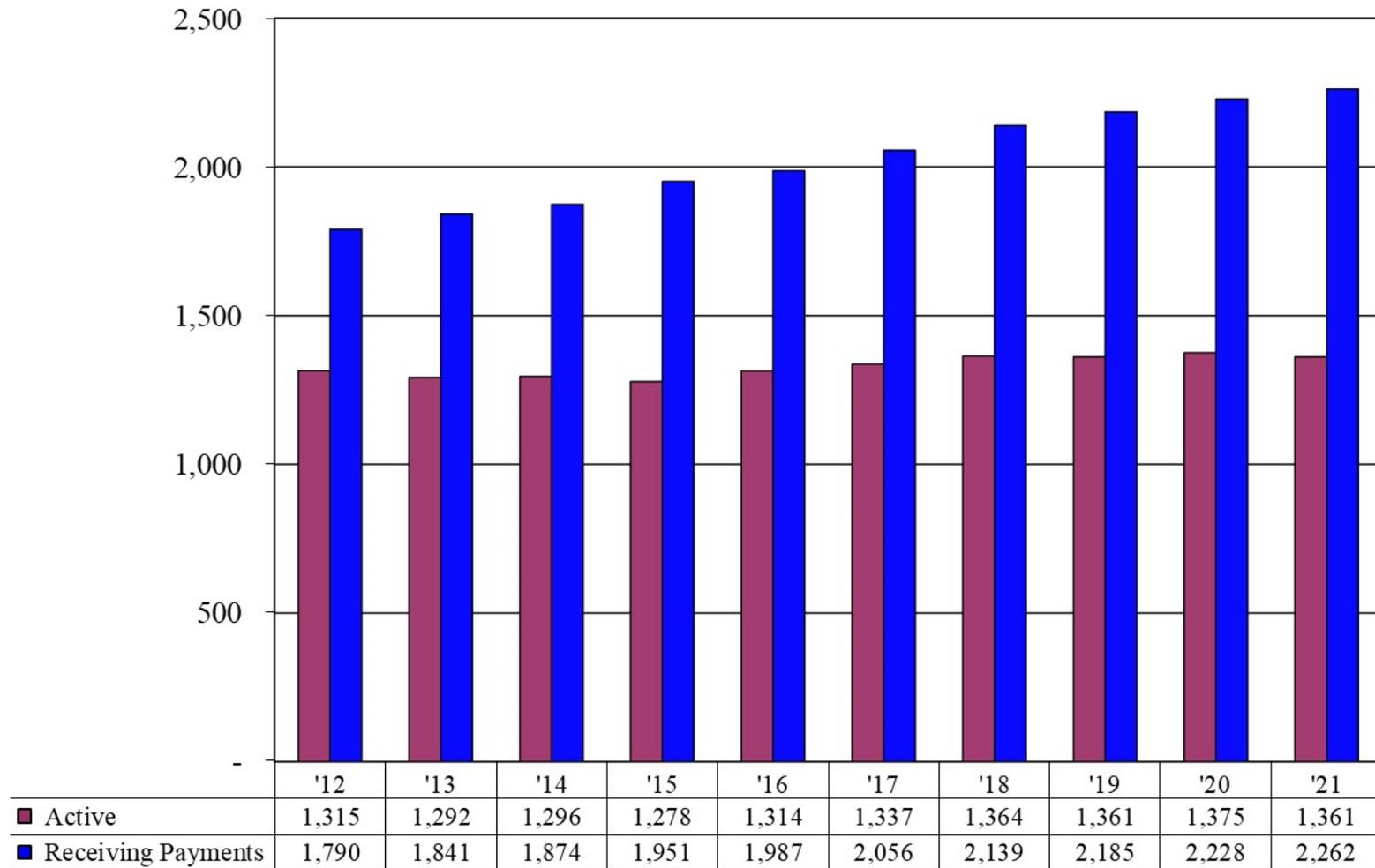


How Did We Get A Large CalPERS Unfunded Liability?

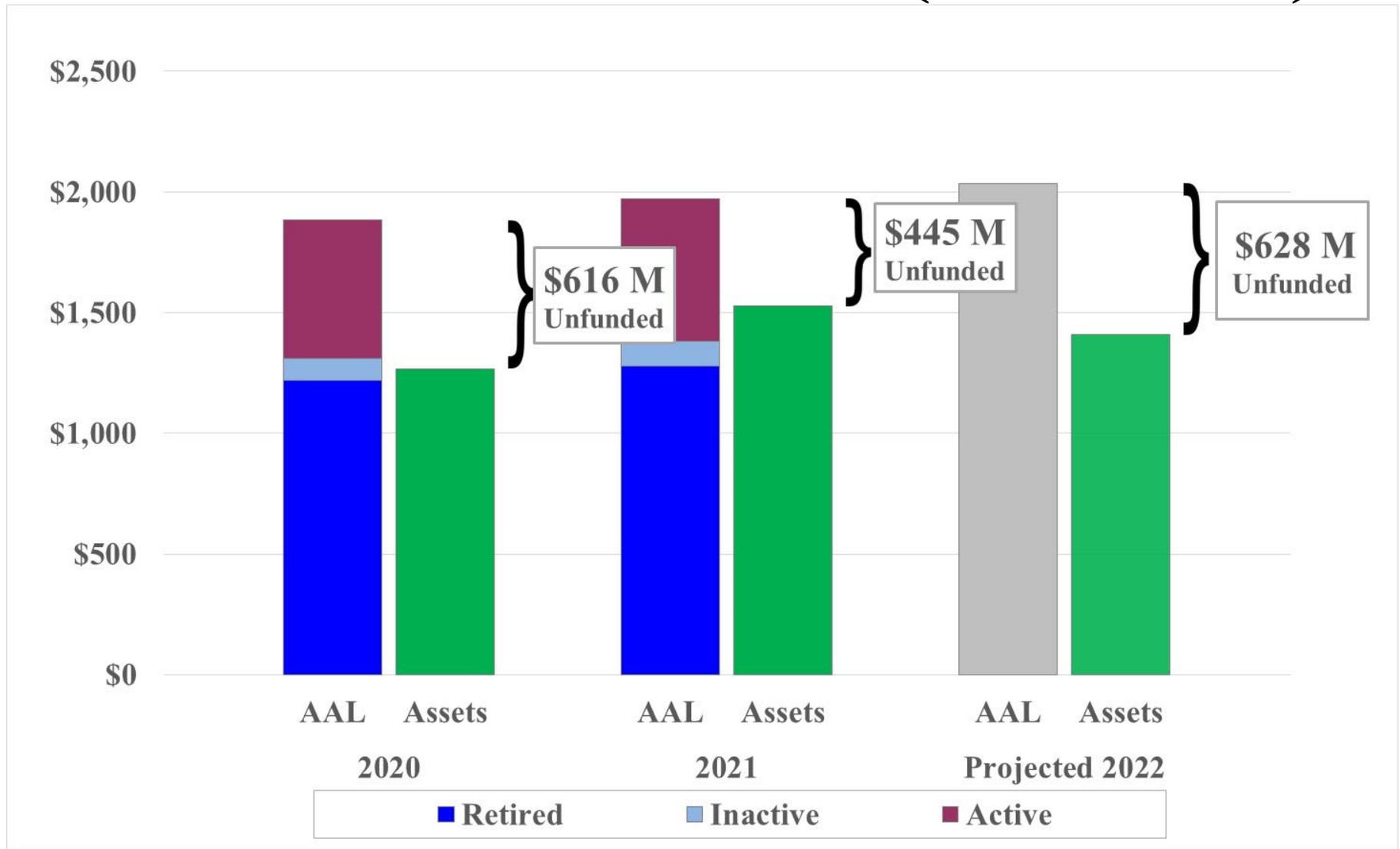
- Combination of many factors
 - Large investment losses in some years combined with “smoothing” policy delayed funding improvement.
- Enhanced benefits
- Demographics - growing number of retirees
- Updated & strengthened actuarial assumptions
- PEPRRA (hires after 1/1/2013) beginning to help contributions
- The City has always paid the required CalPERS contributions



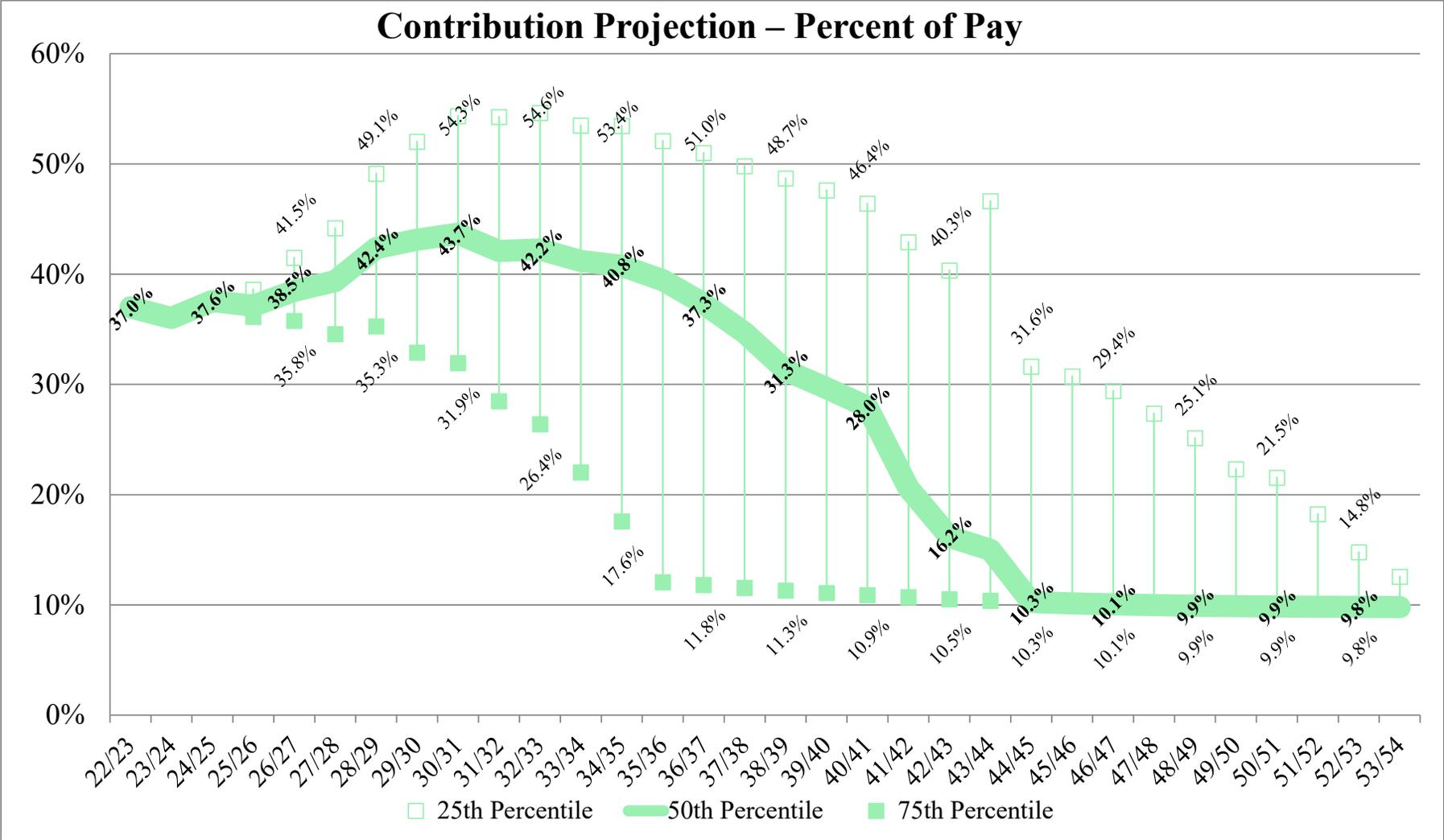
Number of Pension Members



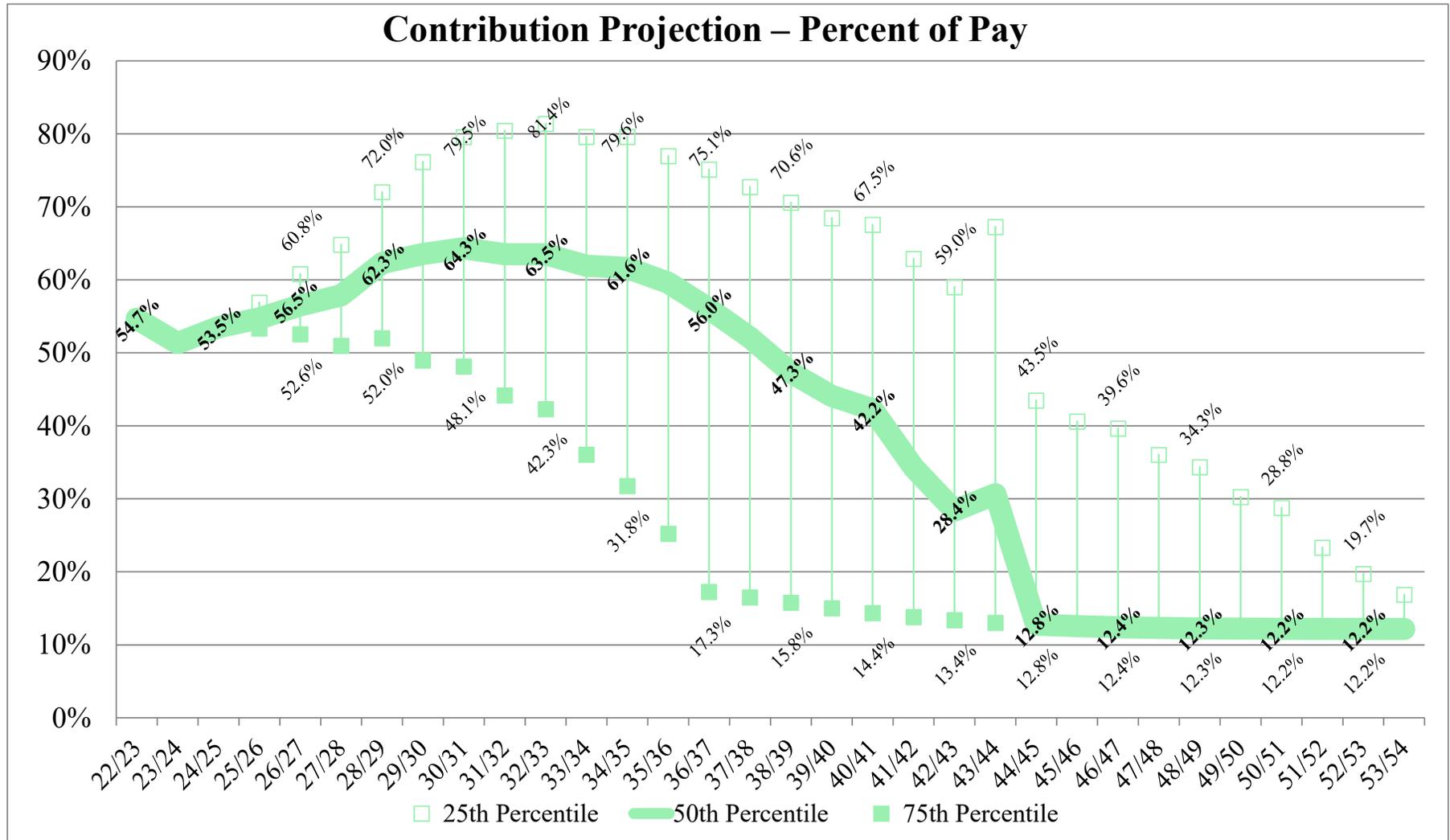
Pension Funded Status (Combined)



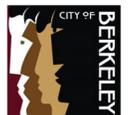
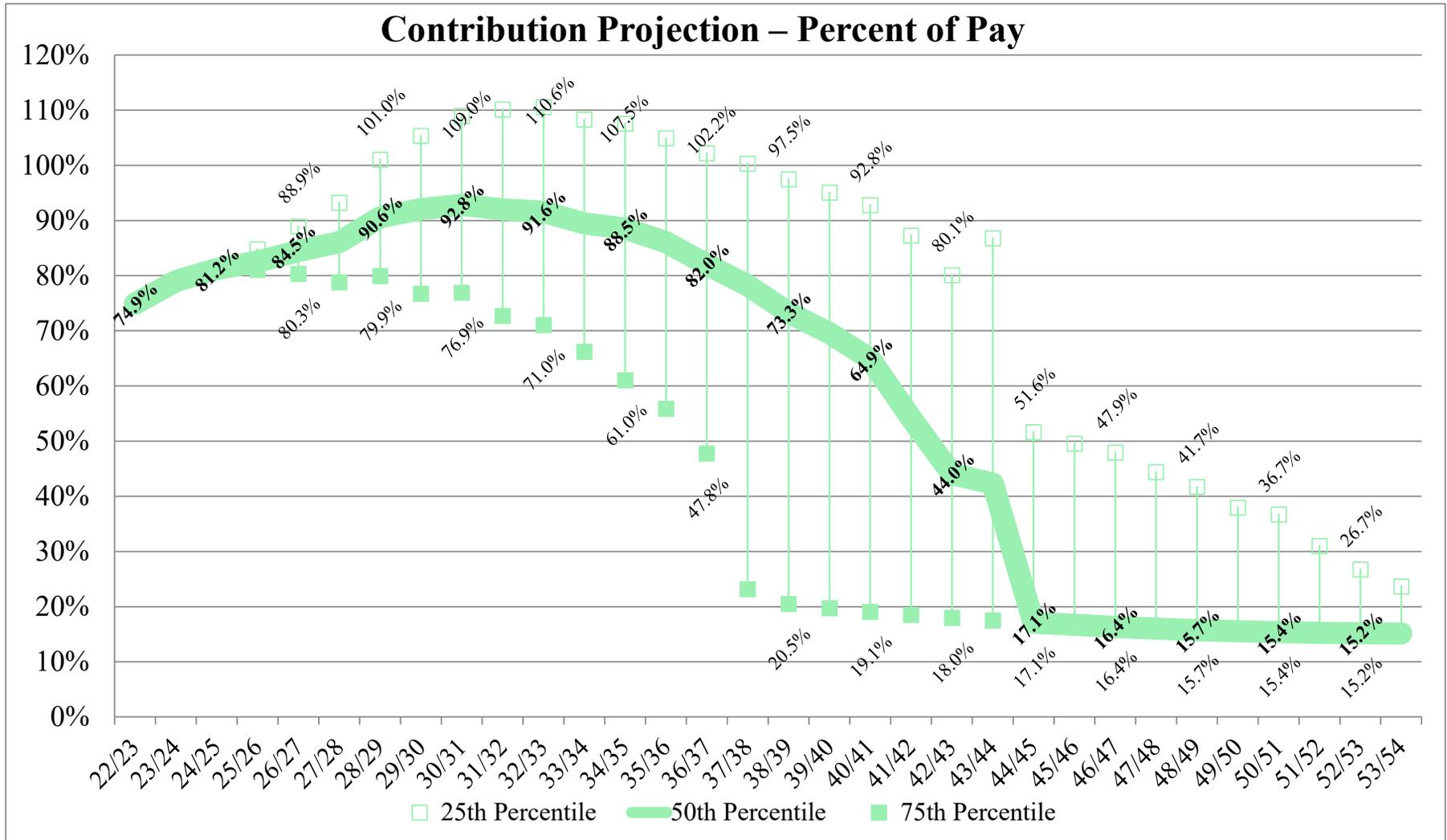
Miscellaneous–CalPERS Rates (% Payroll)



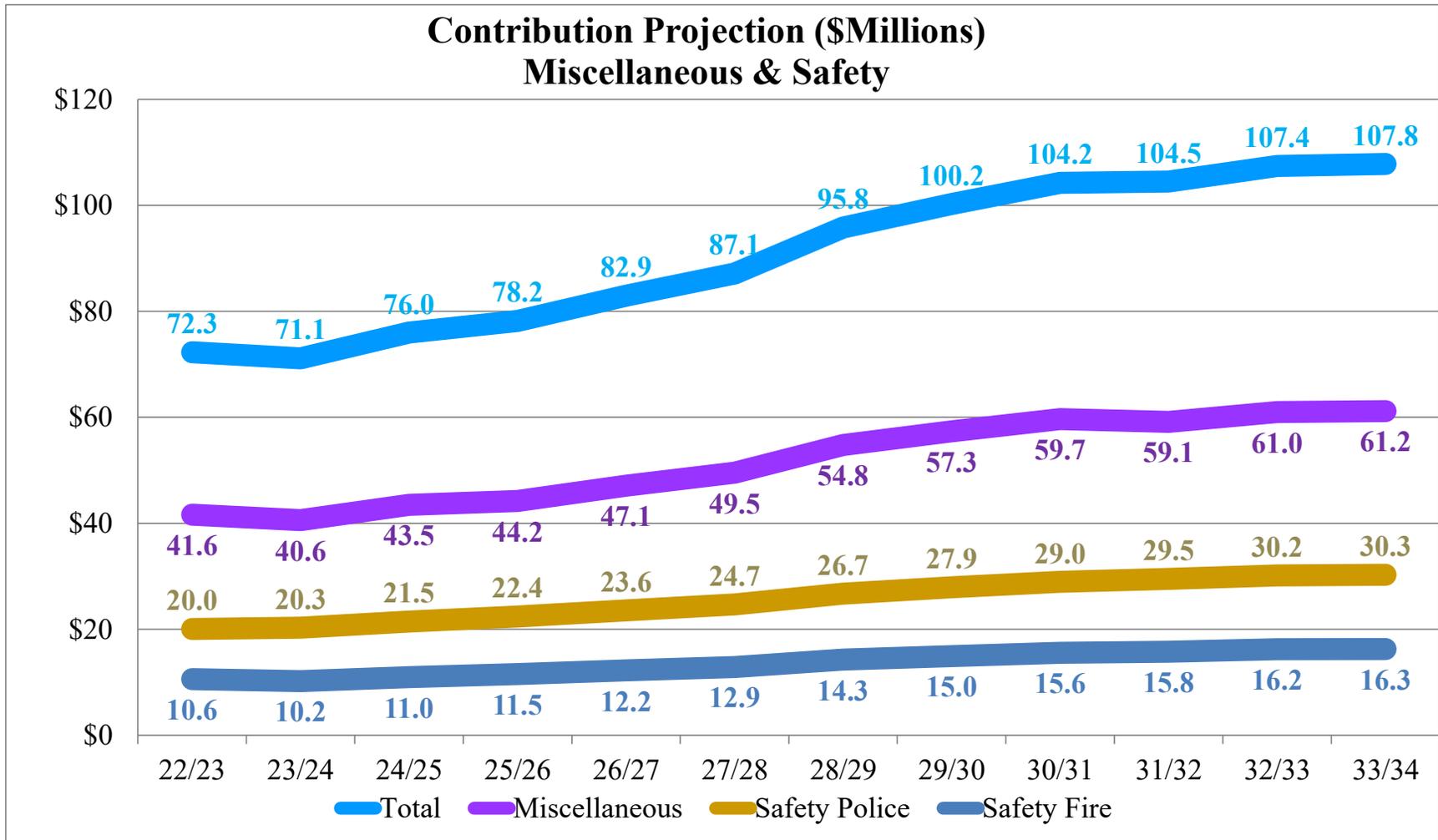
Fire-CalPERS Rates (\$millions)



Police-CalPERS Rates (% Payroll)



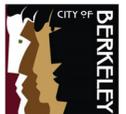
Total Projected CalPERS Contributions (\$Millions)



CalPERS Funding

Reduce/Eliminate Unfunded Liability

- The City is already paying the full actuarially determined contribution for its CalPERS plans
- The City's funded status is similar to other CalPERS public agencies
- Most ideas to pay down the unfunded liability ahead of schedule are not recommended
 - Pension Obligation Bond (POB) is interest arbitrage
 - Success not guaranteed
- Unlike OPEB, City cannot leave CalPERS
 - New hires must be in CalPERS
 - Current employees must retain current benefits
 - \$2.1 Billion payment needed to leave CalPERS



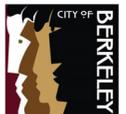
Irrevocable Supplemental (§115) Trust

- Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS
- Investments significantly less restricted than City investment funds
- City's §115 Trust
 - Established in FY2018
 - Contributions up to \$5.2 Million per year
 - Current target contribution \$5.5 Million per year
 - Balance 6/30/2022 \$14.8 Million



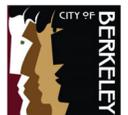
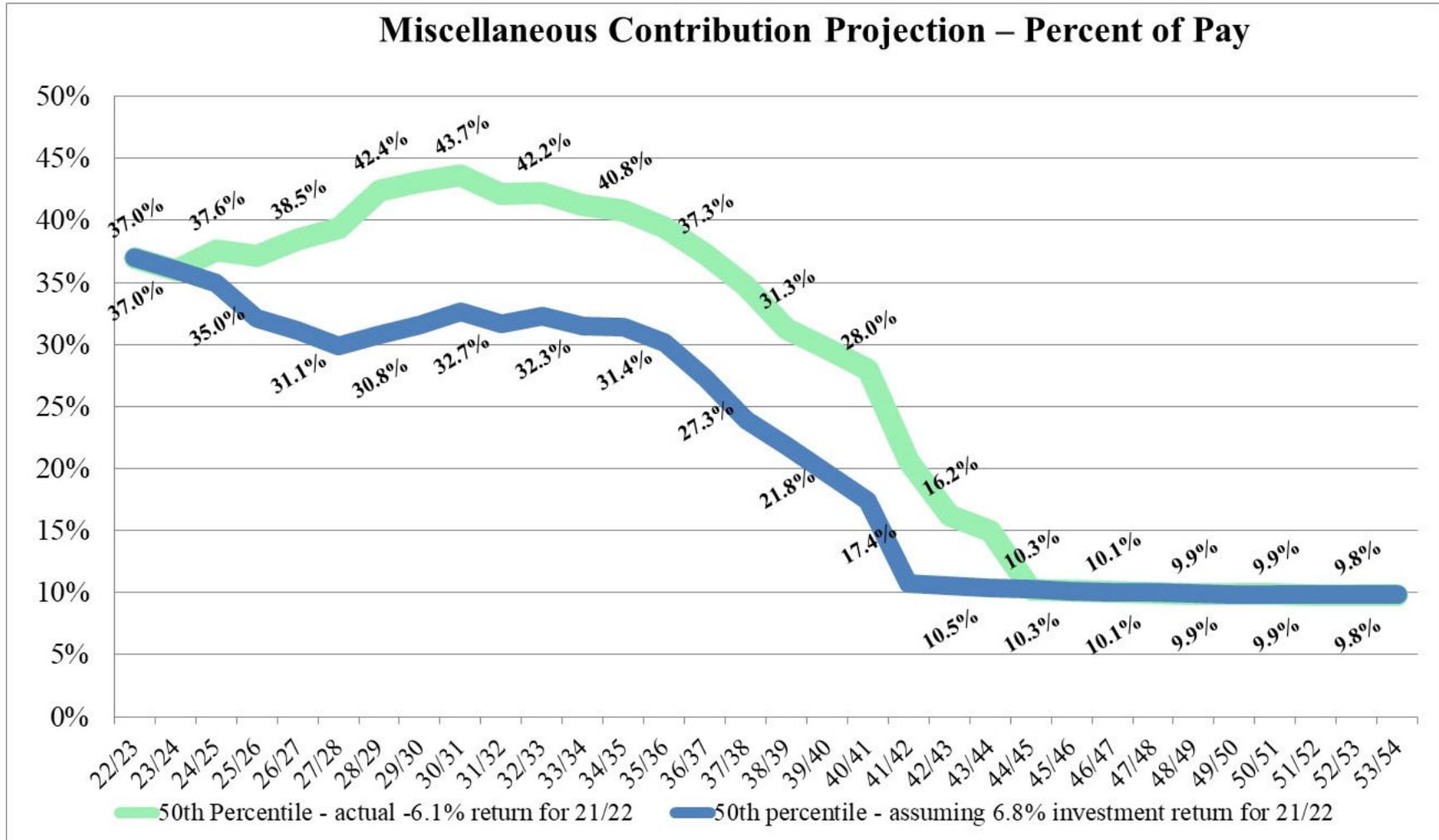
Irrevocable Supplemental (§115) Trust

- Best use: Rate Stabilization
 - Add to Trust when possible
 - Use Trust funds to help pay CalPERS contributions in highest years or if unexpected increases
- Accumulate funds to eventually pay down UAL
- Target:
 - Consider City's reserve policy?
 - Consider potential variability of projected contributions?
 - In 10 years, 50% chance of contributions \$25M larger or smaller than projected
 - Consider potential contribution impact of large investment loss?



Example: Impact of 1 Year Poor Returns

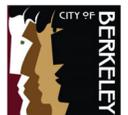
Difference in Contributions Due to Poor 2022 Investment Return



Example: Impact of 1 Year Poor Returns

Difference in Contributions Due to Poor 2022 Investment Return
(Total City Plans)
(\$Millions)

Payment Year	Increase Each Year	Cumulative Increase
● 2024/25	\$4.9	\$4.9
● 2025/26	9.7	14.6
● 2026/27	14.5	29.2
● 2027/28	19.3	48.5
● 2028/29	24.1	72.6



CalPERS Funding Recommendation

- Prioritize OPEB
- Continue funding CalPERS §115 Trust as possible
 - Current \$5.5M/year target is ideal
 - Recommend trust balance of \$25M to \$50M
 - Higher balance could be used to pay down UAL

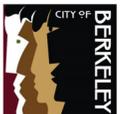


Summary



Summary of Recommendations

- OPEB Funding (Misc, Police, Fire, “PERIP”)
 - Full pre-funding; will increase annual contribution
 - Total \$8.8 million additional per year
- CalPERS
 - Continue targeting \$5.5 million per year



Thank You



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